

**SCHOOL DISTRICT OF
THE BOROUGH OF STANHOPE**

**Borough of Stanhope School District
Stanhope, New Jersey**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2015**

**Comprehensive Annual
Financial Report**

of the

**Borough of Stanhope School District
Board of Education**

Stanhope, New Jersey

For the Fiscal Year Ended June 30, 2015

Prepared by

**Borough of Stanhope School District
Board of Education**

BOROUGH OF STANHOPE SCHOOL DISTRICT
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INTRODUCTORY SECTION



Stanhope Public School District
24 Valley Road
Stanhope, New Jersey 07874

(973) 347-0008
www.stanhopeschools.org

November 13, 2015

The Honorable President and Members of
the Board of Education
Borough of Stanhope School District
County of Sussex, New Jersey

Dear Board Members:

The comprehensive annual financial report of the Borough of Stanhope School District (the "District") for the fiscal year ended June 30, 2015, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Board of Education (the "Board"). To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the basic financial statements and results of operations of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial statements, statistical and single audit. The introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The financial section includes the Independent Auditors' Report, the management's discussion and analysis, the basic financial statements and notes providing an overview of the District's financial position and operating results, and supplementary schedules providing detailed budgetary information. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The District is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to this single audit, including the auditors' reports on internal control and compliance with applicable laws, regulations, contracts and grants along with findings and questioned costs, are included in the single audit section of this report.

1) REPORTING ENTITY AND ITS SERVICES: The Borough of Stanhope School District is an independent reporting entity within the criteria adopted by the Governmental Accounting Standards Board ("GASB") in codification section 2100. All funds of the District are included in this report. The Borough of Stanhope School District and all its schools constitute the District's reporting entity.

The District provides a full range of educational services appropriate to grade levels K through 8. These include regular, as well as special education for handicapped students. The District completed the 2014-2015 fiscal year with an enrollment of 315 students, which is 39 students less than the previous year's enrollment.

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the Board of Education
Borough of Stanhope School District
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2) ECONOMIC CONDITION AND OUTLOOK: The Borough of Stanhope occupies 2.2 square miles at the southern tip of Sussex County, bordering Morris County. The Borough was established in 1904 and has been identified as being a "limited growth area" in various master plans developed for the State of New Jersey by our Municipality.

Commercial land uses consisting of retail shops, professional and commercial offices and other consumer-oriented activities account for approximately 28 acres. There has been an effort to rejuvenate the Main Street shopping area by development proposals in the industrial area of the Borough. Industrial land use occupies a very small portion of the Borough, approximately 12 acres.

3) MAJOR INITIATIVES: During the 2014-2015 School year, Stanhope School District replaced central office, building, and regional administrator leaders. The new principal was a leader in organizing climate and culture programs for Valley Road School that improved student attendance, discipline, and instruction. The District's overall habitual absences decreased by over one percent, HIB and suspensions were reduced by more than half, and schedule improvements were a part of the first successful entrance scores for students to participate in honors math at the high school in Valley Road history.

The new regional curriculum coordinator improved both the process and product of Student Growth Objectives. The coordinator collaborated with teachers to rewrite the Next Generation Science curriculum. During PLC's, teachers were introduced to regional curriculum mapping, planning, and shared assessment to increase challenge and rigor in the classroom. Lastly, the coordinator supported data driven instruction in the classroom to improve instructional strategies.

The central office leadership organized professional development with the use of recognized experts in the field to support a continuum of needs including mathematics, language arts literacy, and the art and science of teaching. The District began the training of primary grade teachers both in general education and special education in Orton-Gillingham reading instruction to maintain class student development and increase individual student success.

The school leadership began the process of re-writing curriculum to match standards, resources, and college and career readiness expectations. The instructional sub-committees are building scope and sequence models as well as curriculum maps within online programs to articulate horizontally as well as vertically with the added enhancement to share outside the school with regional partners.

In addition to the program improvements and academic initiatives described above, the District completed the following facility upgrades during the 2014-2015 school year: bleacher repair, blind replacement, brick facade repair, cafetorium floor refinishing, outdoor lighting efficiency upgrade, and uninvent refurbishment.

The District applied for and received a grant from the New Jersey Schools Development Authority in the amount of \$367,560 for partial reroofing of the Valley Road Elementary School. In February the Board awarded the bid for this project which is scheduled to be completed during the summer of 2015.

Honorable President and Members of
the Board of Education
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November 13, 2015

4) INTERNAL ACCOUNTING CONTROLS: Management of the District is responsible for establishing and maintaining an internal control system designed to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The internal control system is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal and state awards, the District also is responsible for ensuring that an adequate internal control system is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control system is also subject to periodic evaluation by the District's management.

As part of the District's single audit described earlier, tests are made to determine the adequacy of the internal control system, including that portion related to major federal and state award programs, as well as to determine that the District has complied with applicable laws, regulations, contracts and grants.

5) BUDGETARY CONTROLS: In addition to internal accounting controls, the District maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the municipality. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects fund. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance accounting system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as fund balance restrictions, commitments and assignments at June 30, 2015.

6) ACCOUNTING SYSTEM AND REPORTS: The District's accounting records reflect generally accepted accounting principles, as promulgated by the GASB. The accounting system of the District is organized on the basis of funds. These funds are explained in "Notes to the Basic Financial Statements", Note 1.

7) CASH MANAGEMENT: The investment policy of the District is guided in large part by state statute as detailed in "Notes to the Basic Financial Statements", Note 3. The District has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

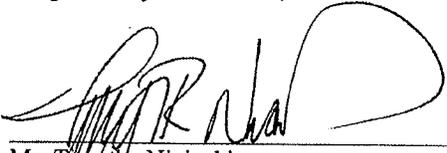
8) RISK MANAGEMENT: The Board carries various forms of commercial insurance, including, but not limited to, general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property and contents, and fidelity bonds. A schedule of insurance coverage is found on Exhibit J-20.

The Honorable President and Members of
the Board of Education
Borough of Stanhope School District
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November 13, 2015

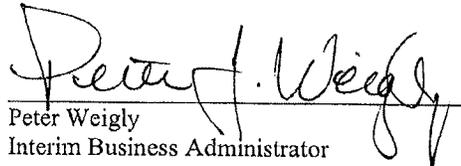
9) OTHER INFORMATION: Independent Audit – State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Board. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of the Single Audit Act Amendments of 1996 and the related OMB Circular A- 133, *Audits of States, Local Governments, and Non-Profit Organizations*, and New Jersey’s OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors’ report on the basic financial statements and specific required supplementary information is included in the financial section of this report. The auditors’ reports related specifically to the single audit *and Government Auditing Standards* are included in the single audit section of this report.

10) ACKNOWLEDGMENTS: We would like to express our appreciation to the members of the Borough of Stanhope School District Board for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of the financial and accounting staff.

Respectfully submitted,

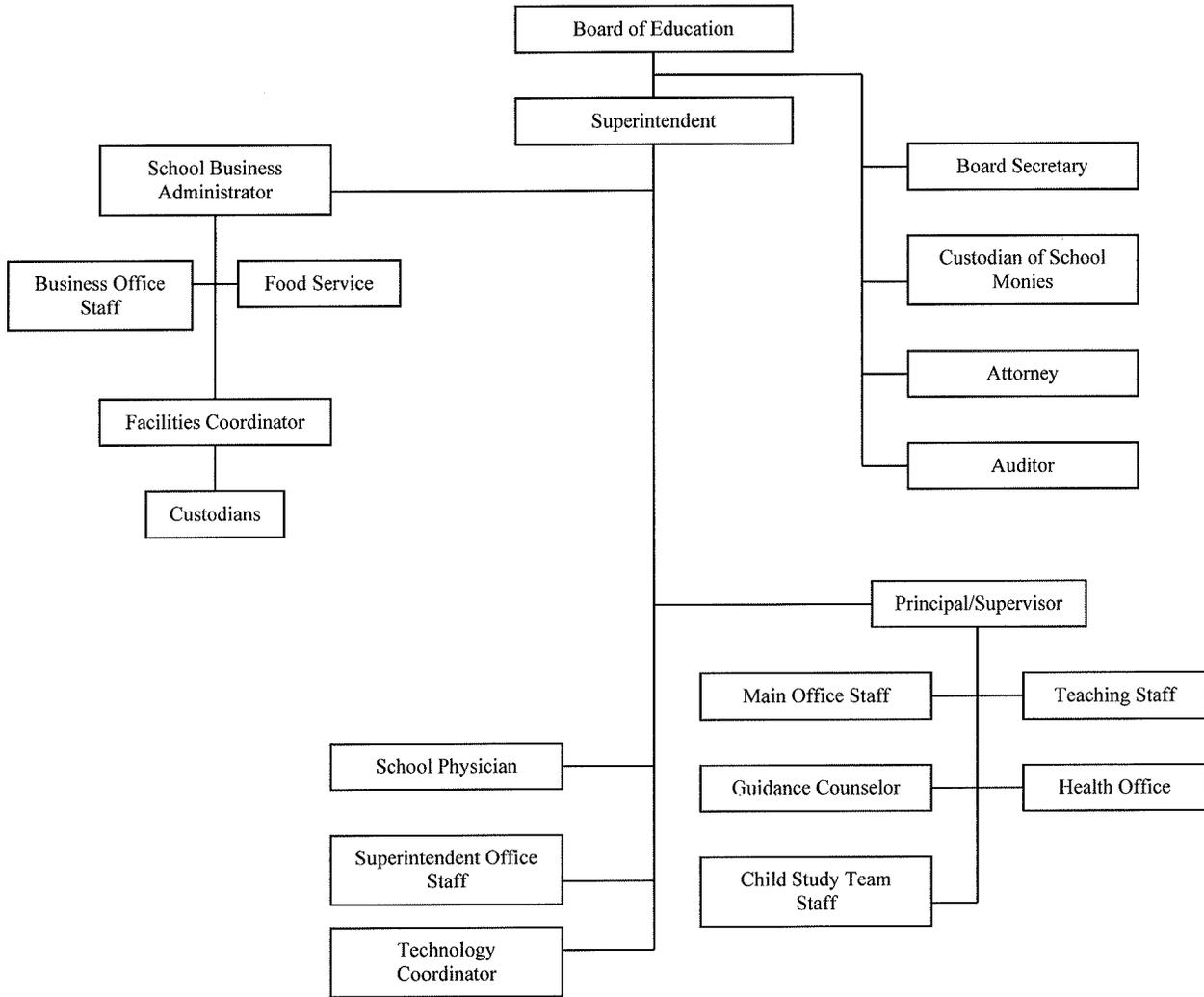


Mr. Timothy Nicinski
Superintendent of Schools



Peter Weigly
Interim Business Administrator

Stanhope Board of Education Organizational Chart 2014-2015



BOROUGH OF STANHOPE SCHOOL DISTRICT

ROSTER OF OFFICIALS

JUNE 30, 2015

Members of the Board of Education

Term Expires

Regina Thomas, President	2015
Gil Moscatello, Vice-President	2015
Najib Iftikhar	2015
Daniele Ferrone	2015
Erin Maiello	2016
Cynthia Percarpio	2016
Mattia Scharfstein	2015

Other Officers

Title

Timothy Nicinski	Superintendent
Peter Weigly	Interim Business Administrator
Carissa Berkowicz	Interim Board Secretary
Sallyann McCarty	Treasurer of School Monies

BOROUGH OF STANHOPE BOARD OF EDUCATION

Consultants and Advisors

Audit Firm

Nisivoccia & Company LLP, CPAs
Mount Arlington Corporate Center
200 Valley Road, Suite 300
Mount Arlington, NJ 07856-1320

Nisivoccia & Company LLP, CPAs
Lawrence Business Park
11 Lawrence Road
Newton, NJ 07860

Attorney

Cleary, Giacobbe, Aferi, Jacobs, LLC
169 Ramapo Valley Road
Upper Level 105
Oakland, NJ 07436

Architect of Record

Gianforcaro Architects & Engineers
555 E. Main Street
Chester, NJ 07930

Official Depository

TD Bank
56 Flanders-Bartley Road
Flanders, NJ 07836

Financial Advisor

Phoenix Advisors, LLC
4 West Park Street
Bordentown, NJ 08505

FINANCIAL SECTION



Mount Arlington Corporate Center
 200 Valley Road, Suite 300
 Mt. Arlington, NJ 07856
 973-328-1825 | 973-328-0507 Fax
 Lawrence Business Center
 11 Lawrence Road
 Newton, NJ 07860
 973-383-6699 | 973-383-6555 Fax

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Borough of Stanhope School District
 County of Sussex, New Jersey

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Stanhope School District (the "District") in the County of Sussex, as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The Honorable President and Members
of the Board of Education
Borough of Stanhope School District
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Stanhope School District, in the County of Sussex, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 to the basic financial statements, the District implemented Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68* during the fiscal year ended June 30, 2015. Our opinions are not modified with respect to this matter. The implementation resulted in the restatement of certain balances on the Statement of Net Position and the ending balance for Net Position for the Governmental Activities as of June 30, 2014 as detailed in Note 17 to the basic financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, which follows this report, the required supplementary information pension schedules and the budgetary comparison information in Exhibits C-1 through C-3 and I-3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards, as required by the U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and New Jersey’s OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Honorable President and Members
of the Board of Education
Borough of Stanhope School District
Page 3

The accompanying supplementary schedules such as the combining and individual non-major fund financial statements and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying other information such as the introductory and statistical sections has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 13, 2015
Mount Arlington, New Jersey

NISIVOCCIA, LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant

REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS

**Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2015
(Unaudited)**

This section of Borough of Stanhope School District's annual financial report presents its discussion and analysis of the District's financial performance during the fiscal year ending June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and the District's financial statements, which immediately follow this section.

Financial Highlights

- The District's financial status improved on a district wide basis.
- Overall revenue was \$7.06 million.
- Overall expenses were \$6.72 million.
- Enrollment in the District decreased approximately 11.02%.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *District-wide financial statements* that provide both *short-term* and *long-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the District, reporting the District's operations in *more* detail than the District-wide statements.
- The *governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
- *Proprietary funds* statements offer *short-* and *long-term* financial information about the activities the District operates like a business, such as food services.
- *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1

Organization of the School District's Financial Report

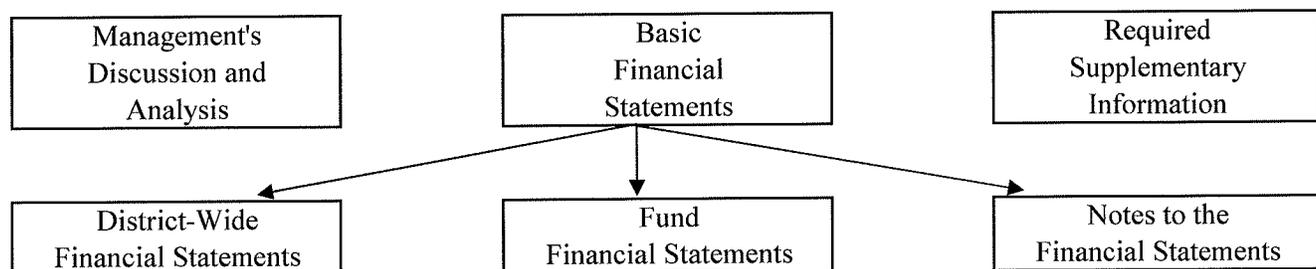


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights that structure and contents of each of the statements.

Figure A-2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services	Instances in which the District administers resources on behalf of someone else, such as student activities monies.
Required Financial Statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenue, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenue, expenses, and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term and deferred inflows and outflows	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of Inflow/Outflow Information	All revenue and expenses during the year, regardless of when cash is received or paid	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenue and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets, deferred inflows and outflows and liabilities. All of the current year's revenue and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net position* and how they have changed. Net position – the difference between the District's assets, deferred inflows and outflows and liabilities – is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities*: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.
- *Business-type activities*: The District charges fees to help it cover the costs of certain services it provides. The District's food service is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenue (such as federal grants).

The District has three kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on {1} how cash and other financial assets that can readily be converted to cash flow in and out, and {2} the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements. The District's *enterprise funds* (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. *Internal service funds* (the other kind of proprietary fund) report activities that provide supplies and services for other programs and activities. The District currently does not maintain any internal service funds.
- *Fiduciary funds*: The District is the trustee, or *fiduciary*, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Notes to the Basic Financial Statements: Provide additional information essential to a full understanding of the District-wide and fund financial statements.

Financial Analysis of the District as a Whole

Net Position. The District's combined net position increased by \$335,043. Net position from governmental activities increased by \$341,745 and net position from business-type activities decreased by \$6,702. Net investment in capital assets increased by \$283,268, restricted net position increased by \$81,071, and unrestricted net position decreased by \$29,296.

Figure A-3

	Condensed Statement of Net Position						Percentage Change 2014/15
	Government Activities		Business-Type Activities		Total School District		
	2014/15	2013/14*	2014/15	2013/14	2014/15	2013/14*	
Current and							
Other Assets	\$ 983,118	\$ 851,881	\$ 13,883	\$ 34,090	\$ 997,001	\$ 885,971	12.53%
Capital Assets, Net	6,484,586	6,204,919	9,622	11,332	6,494,208	6,216,251	4.47%
Total Assets	<u>7,467,704</u>	<u>7,056,800</u>	<u>23,505</u>	<u>45,422</u>	<u>7,491,209</u>	<u>7,102,222</u>	5.48%
Deferred Outflows of Resources	<u>217,768</u>	<u>89,249</u>			<u>217,768</u>	<u>89,249</u>	144.00%
Long-Term Debt Outstanding	3,760,778	3,675,596			3,760,778	3,675,596	2.32%
Other Liabilities	116,021	61,768	2,630	17,845	118,651	79,613	49.03%
Total Liabilities	<u>3,876,799</u>	<u>3,737,364</u>	<u>2,630</u>	<u>17,845</u>	<u>3,879,429</u>	<u>3,755,209</u>	3.31%
Deferred Inflows of Resources	<u>58,243</u>				<u>58,243</u>		100.00%
Net Position:							
Net Investment in							
Capital Assets	3,729,956	3,444,978	9,622	11,332	3,739,578	3,456,310	8.20%
Restricted	682,217	601,146			682,217	601,146	13.49%
Unrestricted/(Deficit)	<u>(661,743)</u>	<u>(637,439)</u>	<u>11,253</u>	<u>16,245</u>	<u>(650,490)</u>	<u>(621,194)</u>	-4.72%
Total Net Position	<u>\$ 3,750,430</u>	<u>\$ 3,408,685</u>	<u>\$ 20,875</u>	<u>\$ 27,577</u>	<u>\$ 3,771,305</u>	<u>\$ 3,436,262</u>	9.75%

*Restated

Changes in Net Position. The District's combined net position was \$3,771,305 on June 30, 2015, an increase of \$335,043 or 9.75% more than it was the year before. This was primarily due to unexpended General Fund budget appropriations of \$220,801.

Figure A-4

Changes in Net Position from Operating Results

	Governmental Activities 2014/15	Business- Type Activities 2014/15	Governmental Activities 2013/14	Business- Type Activities 2013/14	Total School District 2014/15	Total School District 2013/14	Percentage Change 2014/15
Revenue:							
Program Revenue:							
Charges for Services		\$ 66,417		\$ 74,963	\$ 66,417	\$ 74,963	-11.40%
Operating Grants and Contributions	\$ 1,313,710	30,520	\$ 785,976	33,493	1,344,230	819,469	64.04%
Capital Grants and Contributions	147,024				147,024		100.00%
General Revenue:							
Property Taxes	4,121,310		3,980,820		4,121,310	3,980,820	3.53%
Unrestricted State and Federal Aid	1,274,789		1,263,454		1,274,789	1,263,454	0.90%
Other	105,546	24	220,669	26	105,570	220,695	-52.16%
Total Revenue	<u>6,962,379</u>	<u>96,961</u>	<u>6,250,919</u>	<u>108,482</u>	<u>7,059,340</u>	<u>6,359,401</u>	11.01%
Expenses:							
Instruction	3,325,408		3,152,379		3,325,408	3,152,379	5.49%
Pupil and Instruction Services	1,541,875		1,323,458		1,541,875	1,323,458	16.50%
Administrative and Business	855,167		783,081		855,167	783,081	9.21%
Maintenance and Operations	476,473		479,072		476,473	479,072	-0.54%
Transportation	119,266		146,818		119,266	146,818	-18.77%
Other	302,445	103,663	288,982	111,939	406,108	400,921	1.29%
Total Expenses	<u>6,620,634</u>	<u>103,663</u>	<u>6,173,790</u>	<u>111,939</u>	<u>6,724,297</u>	<u>6,285,729</u>	6.98%
Increase/(Decrease) in Net Position	<u>\$ 341,745</u>	<u>\$ (6,702)</u>	<u>\$ 77,129</u>	<u>\$ (3,457)</u>	<u>\$ 335,043</u>	<u>\$ 73,672</u>	354.78%

Revenue Sources. The District's total revenue for the 2014/15 school year was \$7,059,340. (See Figure A-4). Property taxes and state formula aid accounted for most of the District's revenue, with local taxes accounting for \$4,121,310 of the total, or 58.38 percent. (See Figure A-5). Another 39.18 percent came from state and federal aid and the remainder from miscellaneous sources and charges for services.

Figure A-5

Sources of Revenue for Fiscal Year 2015

	Amount	Percentage
Sources of Income:		
State Formula Aid	\$ 1,511,263	21.41%
Property Taxes	4,121,310	58.38%
Federal and State Categorical Grants	1,254,780	17.77%
Charges for Services	66,417	0.94%
Other	105,570	1.50%
	<u>\$ 7,059,340</u>	<u>100.00%</u>

The total cost of all programs and services was \$6,724,297. The District's expenses are predominantly related to instructing and providing pupil services (72.38 percent). (See Figure A-6). The District's administrative and business activities accounted for 12.72 percent of total costs. The most significant contributor to the cost of Maintenance and Operations was energy costs.

Figure A-6**Expenses for Fiscal Year 2015**

Expense Category:	Amount	Percentage
Instruction	\$ 3,325,408	49.45%
Pupil and Instruction Services	1,541,875	22.93%
Administrative and Business	855,167	12.72%
Maintenance and Operations	476,473	7.09%
Transportation	119,266	1.77%
Other	406,108	6.04%
	<u>\$ 6,724,297</u>	<u>100.00%</u>

Governmental Activities

As discussed elsewhere in this commentary, the financial position of the District has improved. However, maintaining existing programs with a decrease in enrollment and the provision of special programs and services for disabled pupils, combined with rising salary, benefits and energy costs, place great demands on the District's resources.

Careful management of expenses remains essential for the District to sustain its financial health. Among the many significant cost savings actions the District continued during the year were:

- The maintenance staff does many projects in-house.
- Cost comparisons are made on a continuous basis by the Business Administrator in order to assure savings in major expense areas.
- Efforts are made to keep purchase increases within the 2% cap.
- Cash flow is carefully monitored due to tight budgetary guidelines.

It is crucial that the District examine its expenses carefully. Staff, parental and student demands for salary increases, activities, small class sizes and programs must be evaluated thoroughly. District resources are at their tightest level in a decade. Figure A-7 presents the cost of six major District activities: instruction, pupil and instructional services, administration and business, maintenance and operations, transportation and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs).

The net cost shows the financial burden placed on the District's taxpayers by each of these functions:

Figure A-7**Net Cost of Governmental Activities**

	Total Cost of Services <u>2014/15</u>	Net Cost of Services <u>2014/15</u>	Total Cost of Services <u>2013/14</u>	Net Cost of Services <u>2013/14</u>
Instruction	\$ 3,325,408	\$ 2,368,363	\$ 3,152,379	\$ 2,531,022
Pupil and Instruction Services	1,541,875	1,344,327	1,323,458	1,244,071
Administrative and Business	855,167	756,294	783,081	733,635
Maintenance and Operations	476,473	304,545	479,072	479,072
Transportation	119,266	83,926	146,818	111,032
Other	302,445	302,445	288,982	288,982
	<u>\$ 6,620,634</u>	<u>\$ 5,159,900</u>	<u>\$ 6,173,790</u>	<u>\$ 5,387,814</u>

- The cost of all governmental activities this year was \$6.62 million.
- The federal and state governments subsidized certain programs with grants and contributions of \$2.59 million.
- Approximately, \$4.12 million of the District's costs were financed by District taxpayers.
- The remainder of the funding came from tuition charges, miscellaneous revenue and investment earnings.

Business-Type Activities

Net position from the District's business-type activity decreased by \$6,702. (Refer to Figure A-4).

- Food services expenses exceeded revenue by \$6,702, which was mainly due to an increase in food service costs.

Financial Analysis of the District's Funds

The District's financial position remained relatively stable on a fund basis despite difficult economic times. As the demographics of our geographic area change, additional student needs and expenses arise. Difficult economic times and recent legislation have had a direct impact upon the District's revenue sources.

All of these factors are likely to continue for the next several years. To maintain a stable financial position, the District must continue to practice sound fiscal management, including efficiency/cost containment practices, evaluation of services and programs, energy conservation, and seeking additional sources of revenues.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual operating budget several times. These budget amendments are due to changes made within budgetary line items for changes in school-based needs for programs, supplies and equipment.

Capital Asset and Debt Administration

Figure A-8

Capital Assets (Net of Depreciation)

	Government Activities		Business-Type Activities		Total School District		Percentage
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	Change
Sites	\$ 526,300	\$ 526,300			\$ 526,300	\$ 526,300	0.00%
Construction in Progress	434,722				434,722		100.00%
Site Improvements	72,098	77,912			72,098	77,912	-7.46%
Buildings and Building Improvements	5,406,686	5,561,003			5,406,686	5,561,003	-2.77%
Machinery and Equipment	44,780	39,704	\$ 9,622	\$ 11,332	54,402	51,036	6.60%
Total Capital Assets (Net of Depreciation)	\$ 6,484,586	\$ 6,204,919	\$ 9,622	\$ 11,332	\$ 6,494,208	\$ 6,216,251	4.47%

Long-term Debt

At year-end, the District had \$2,295,000 in general obligation bonds outstanding – a decrease of \$245,000 from last year – as shown in Figure A-9. (More detailed information about the District's long-term liabilities is presented in Note 6 to the financial statements.)

Figure A-9

Outstanding Long-Term Debt

	Total School District		Percentage
	2014/15	2013/14*	Change 2014-15
General Obligation Bonds (Financed with Property Taxes)	\$ 2,295,000	\$ 2,540,000	-9.65%
Other Long-Term Debt	1,465,778	1,135,596	29.08%
	<u>\$ 3,760,778</u>	<u>\$ 3,675,596</u>	<u>2.32%</u>

*Restated

The District continued to pay down its bonded debt, retiring \$245,000 of outstanding bonds. In fiscal year 2014/15 compensated absences decreased by \$16,690, capital leases payable increased \$239,689 due to a new capital lease net of current year maturities and the net pension liability increased \$107,183.

Factors Bearing on the District's Future Revenue/Expense Changes

At the time these financial statements were prepared and audited, the District was in good financial position. Factors that could affect its financial health in the future are as follows:

- Total state aid to the District is subject to decrease as its enrollment decreases, and state adjustment aid is eliminated.
- The state tax levy cap of 2% limits the District's ability to fund major construction projects.
- Health benefits contributions by employees will be leveling off.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board of Education Office, 24 Valley Road, Stanhope, New Jersey 07874.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS

Exhibit A-1

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 693,537	\$ 15,933	\$ 709,470
Internal Balances	4,871	(4,871)	
Interfund Receivable - Fiduciary Fund	30,451		30,451
Receivables from State Government	191,696	62	191,758
Receivables from Federal Government	6,895	1,473	8,368
Other Receivables	1,516		1,516
Inventories		1,286	1,286
Restricted Assets:			
Capital Reserve Account - Cash and Cash Equivalents	54,152		54,152
Capital Assets, Net			
Sites (Land) and Construction in Progress	961,022		961,022
Depreciable Site Improvements, Buildings and Building Improvements and Machinery and Equipment	5,523,564	9,622	5,533,186
Total Assets	<u>7,467,704</u>	<u>23,505</u>	<u>7,491,209</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Amount on Refunding	79,332		79,332
Changes in Assumptions - Pensions	30,732		30,732
Changes in Proportion - Pensions	107,704		107,704
Total Deferred Outflows of Resources	<u>217,768</u>		<u>217,768</u>
LIABILITIES			
Accrued Interest Payable	17,224		17,224
Accounts Payable	98,797		98,797
Prepaid Sales		1,166	1,166
Unearned Revenue		1,464	1,464
Noncurrent Liabilities:			
Due Within One Year	347,035		347,035
Due Beyond One Year	2,436,415		2,436,415
Net Pension Liability	977,328		977,328
Total Liabilities	<u>3,876,799</u>	<u>2,630</u>	<u>3,879,429</u>
DEFERRED INFLOWS OF RESOURCES:			
Investment Gains - Pensions	58,243		58,243
Total Deferred Inflows of Resources	<u>58,243</u>		<u>58,243</u>
NET POSITION			
Net Investment in Capital Assets	3,729,956	9,622	3,739,578
Restricted for:			
Capital Projects	317,794		317,794
Other Purposes	364,423		364,423
Unrestricted/(Deficit)	(661,743)	11,253	(650,490)
Total Net Position	<u>\$ 3,750,430</u>	<u>\$ 20,875</u>	<u>\$ 3,771,305</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 2,351,500		\$ 453,973		\$ (1,897,527)		\$ (1,897,527)
Special Education	847,673		479,627		(368,046)		(368,046)
Other Special Instruction	90,696		17,773		(72,923)		(72,923)
Other Instruction	35,539		5,672		(29,867)		(29,867)
Support Services:							
Tuition	366,406				(366,406)		(366,406)
Student & Instruction Related Services	1,175,469		197,548		(977,921)		(977,921)
General Administrative Services	312,004		38,569		(273,435)		(273,435)
School Administrative Services	194,638		35,088		(159,550)		(159,550)
Central Services	225,575		18,877		(206,698)		(206,698)
Administrative Information Technology	122,950		6,339		(116,611)		(116,611)
Plant Operations and Maintenance	476,473		24,904	\$ 147,024	(304,545)		(304,545)
Pupil Transportation	119,266		35,340		(83,926)		(83,926)
Interest on Long-Term Debt	97,441				(97,441)		(97,441)
Transfer of Funds to Charter School	44,873				(44,873)		(44,873)
Unallocated Depreciation	160,131				(160,131)		(160,131)
Total Governmental Activities	6,620,634		1,313,710	147,024	(5,159,900)		(5,159,900)
Business-Type Activities:							
Food Service	103,663	\$ 66,417	30,520			\$ (6,726)	\$ (6,726)
Total Business-Type Activities	103,663	66,417	30,520			(6,726)	(6,726)
Total Primary Government	\$ 6,724,297	\$ 66,417	\$ 1,344,230	\$ 147,024	(5,159,900)	(6,726)	(5,166,626)

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
General Revenues:							
Taxes:							
	Property Taxes, Levied for General Purposes, Net				\$ 3,802,128		\$ 3,802,128
	Taxes Levied for Debt Service				319,182		319,182
	Tuition Charges				33,140		33,140
	Federal and State Aid not Restricted				1,274,789		1,274,789
	Investment Earnings				1,285	\$ 24	1,309
	Miscellaneous Income				71,121		71,121
	Total General Revenue				5,501,645	24	5,501,669
	Change in Net Position				341,745	(6,702)	335,043
	Net Position - Beginning (Restated)				3,408,685	27,577	3,436,262
	Net Position - Ending				\$ 3,750,430	\$ 20,875	\$ 3,771,305

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

FUND FINANCIAL STATEMENTS

BOROUGH OF STANHOPE SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS				
Cash and Cash Equivalents	\$ 576,912		\$ 116,625	\$ 693,537
Interfund Receivable	42,224			42,224
Receivables From State Government	44,672		147,024	191,696
Receivables From Federal Government		\$ 6,895		6,895
Other Receivables	1,516			1,516
Restricted Cash and Cash Equivalents	54,152			54,152
Total Assets	\$ 719,476	\$ 6,895	\$ 263,649	\$ 990,020
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund Payable		\$ 6,895	\$ 7	\$ 6,902
Accounts Payable	\$ 98,797			98,797
Total Liabilities	98,797	6,895	7	105,699
Fund Balances:				
Restricted:				
Capital Reserve Account	54,152			54,152
Excess Surplus	199,738			199,738
Excess Surplus - Designated for Subsequent Year's Expenditures	164,685			164,685
Committed:				
Capital Projects Fund			263,642	263,642
Assigned:				
Other Purposes	78,917			78,917
Unassigned	123,187			123,187
Total Fund Balances	620,679		263,642	884,321
Total Liabilities and Fund Balances	\$ 719,476	\$ 6,895	\$ 263,649	\$ 990,020

Amounts Reported for *Governmental Activities* in the Statement of Net Position (A-1) are Different Because:

Total Fund Balances from above	\$ 884,321
Capital Assets Used in Governmental Activities are not Financial Resources and Therefore are not Reported in the Funds. The Cost of the Assets is \$9,252,790 and the Accumulated Depreciation is \$2,768,204.	6,484,586
Interest on Long-Term Debt is not Accrued in the Governmental Funds, but Rather is Recognized as an Expenditure When Due.	(17,224)
The Net Pension Liability for PERS is not Due and Payable in the Current Period and is not Reported in the Governmental Funds.	(977,328)
Certain Amounts Related to the Net Pension Liability are Deferred and Amortized in the Statement of Activities and are not Reported in the Governmental Funds:	
Change in Assumptions - Pensions	30,732
Change in Proportions - Pensions	107,704
Investment Gains - Pensions	(58,243)
Long-Term Liabilities are not Due and Payable in the Current Period and Therefore are not Reported as Liabilities in the Funds.	(2,783,450)
Deferred interest costs are not reported as expenditures in the governmental funds in the year of the expenditure. The deferred interest is \$109,083 and accumulated amortization is \$29,751.	79,332
Net Position of Governmental Activities (Exhibit A-1)	\$ 3,750,430

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 3,802,128			\$ 319,182	\$ 4,121,310
Tuition from Other LEAs	33,140				33,140
Interest Earned on Investments	1,278				1,278
Unrestricted Miscellaneous Revenue	71,121		\$ 7		71,128
Total - Local Sources	3,907,667		7	319,182	4,226,856
State Sources	1,968,391		147,024		2,115,415
Federal Sources		\$ 138,861			138,861
Total Revenues	5,876,058	138,861	147,031	319,182	6,481,132
EXPENDITURES:					
Current:					
Regular Instruction	1,520,898	32,826			1,553,724
Special Education Instruction	476,159	106,035			582,194
Other Special Instruction	56,880				56,880
School-Sponsored/Other Instruction	23,145				23,145
Support Services and Undistributed Costs:					
Tuition	366,406				366,406
Student and Other Instruction Related Services	799,607				799,607
General Administration Services	237,016				237,016
School Administration Services	126,274				126,274
Central Services	188,054				188,054
Administrative Information Technology	110,889				110,889
Plant Operations and Maintenance	406,986				406,986
Student Transportation	119,266				119,266
Unallocated Benefits	1,245,124				1,245,124
Debt Service:					
Principal				245,000	245,000
Interest and Other Charges				88,800	88,800
Capital Outlay	76,464		434,722		511,186
Transfer of Funds to Charter School	44,873				44,873
Total Expenditures	5,798,041	138,861	434,722	333,800	6,705,424
Excess/(Deficit) of Revenue Over/(Under) Expenditures	78,017		(287,691)	(14,618)	(224,292)
OTHER FINANCING SOURCES/ (USES):					
Transfers In	7		251,340		251,347
Transfers Out	(251,340)		(7)		(251,347)
Lease Purchase Agreement Proceeds			300,000		300,000
Total Other Financing Sources/(Uses)	(251,333)		551,333		300,000
Net Change in Fund Balances	(173,316)		263,642	(14,618)	75,708
Fund Balance - July 1	793,995			14,618	808,613
Fund Balance - June 30	\$ 620,679	\$ -0-	\$ 263,642	\$ -0-	\$ 884,321

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-3

BOROUGH OF STANHOPE SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Total Net Change in Fund Balances - Governmental Funds (from B-2)	\$	75,708
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.		
Depreciation expense	\$	(172,718)
Capital Outlays		<u>452,385</u>
		279,667
In the statement of activities, certain operating expenses, e.g., compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported in the amount of financial resources used (paid). When the earned amount exceeds the paid amount, the difference is reduction in the reconciliation (-); when the paid amount exceeds the earned amount the difference is an addition to the reconciliation (+).		
		16,690
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due. When the accrued interest exceeds the interest paid, the difference is a reduction in the reconciliation (-); when the interest paid exceeds the accrued interest, the difference is an addition to the reconciliation (+).		
		1,276
Repayment of serial bonds payable is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Position and is not reported in the Statement of Activities.		
		245,000
Capital leases entered into by the District are an other financing source in the governmental funds, but the acquisition increases long-term liabilities in the statement of net position and is not reported in the statement of activities.		
		(300,000)
Repayment of capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position and is not reported in the statement of activities.		
		60,311
The governmental funds report the effect of deferred interest when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
		(9,917)
The net pension liability reported in the statement of activities does not require the use of current financial resources and is not reported as an expenditure in the Governmental Funds:		
Change in Net Pension Liability		(107,183)
Deferred Outflows:		
Changes in Assumptions		30,732
Changes in Proportion		107,704
Deferred Inflows:		
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		<u>(58,243)</u>
Change in Net Position of Governmental Activities (A-2)	\$	<u><u>341,745</u></u>

Exhibit B-4

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	<u>Business-type Activities - Enterprise Funds</u> <u>Food Service</u>
<u>ASSETS:</u>	
Current Assets:	
Cash and Cash Equivalents	\$ 15,933
Intergovernmental Accounts Receivable:	
State	62
Federal	1,473
Inventories	1,286
	18,754
Total Current Assets	18,754
Non-Current Assets:	
Capital Assets	26,600
Less: Accumulated Depreciation	(16,978)
	9,622
Total Non-Current Assets	9,622
Total Assets	28,376
<u>LIABILITIES:</u>	
Current Liabilities:	
Interfund Payable	4,871
Prepaid Sales	1,166
Unearned Revenue	1,464
	7,501
Total Liabilities	7,501
<u>NET POSITION:</u>	
Net Investment in Capital Assets	9,622
Unrestricted	11,253
	20,875
Total Net Position	\$ 20,875

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds <u>Food Service</u>
Operating Revenue:	
Local Sources:	
Daily Sales - Reimbursable Programs	\$ 44,795
Daily Sales - Non-Reimbursable Programs	<u>21,622</u>
Total Operating Revenue	<u>66,417</u>
Operating Expenses:	
Cost of Sales	39,498
Salaries, Benefits & Payroll Taxes	45,734
Supplies, Insurance & Other Costs	9,393
Management Fee	7,328
Depreciation Expense	<u>1,710</u>
Total Operating Expenses	<u>103,663</u>
Operating Loss	(37,246)
Non-Operating Revenue:	
Local Sources:	
Interest Income	24
State Sources:	
State School Lunch Program	1,031
Federal Sources:	
National School Lunch Program	22,313
Food Distribution Program	<u>7,176</u>
Total Non-Operating Income	<u>30,544</u>
Change in Net Position	(6,702)
Net Position - Beginning of Year	<u>27,577</u>
Net Position - End of Year	<u><u>\$ 20,875</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Business-type Activities - Enterprise Funds
	Food Service
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 66,721
Payments to Employees	(45,734)
Payments to Food Service Contractor	(63,941)
	(42,954)
Net Cash Used for Operating Activities	(42,954)
Cash Flows from Investing Activities:	
Interest Income	24
	24
Net Cash Provided by Investing Activities	24
Cash Flows by Noncapital Financing Activities:	
Interfund Advanced - General Fund	217
State Sources	1,047
Federal Sources	22,601
	23,865
Net Cash Provided by Noncapital Financing Activities	23,865
Net Decrease in Cash and Cash Equivalents	(19,065)
Cash and Cash Equivalents, July 1	34,998
Cash and Cash Equivalents, June 30	\$ 15,933
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (37,246)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	1,710
Food Distribution Program	7,176
Changes in Assets and Liabilities:	
Increase in Prepaid Sales	304
Increase in Unearned Revenue	34
(Decrease) in Accounts Payable	(15,553)
Decrease in Inventory	621
	(37,246)
Net Cash Used for Operating Activities	\$ (42,954)

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund Received U.S.D.A. Donated Commodities Through the Food Distribution Program Valued at \$7,210 and Utilized Commodities Valued at \$7,176.

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF STANHOPE SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>Agency</u>	<u>Flexible Spending Trust</u>	<u>Total</u>
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 74,779	\$ 292	\$ 75,071
Total Assets	<u>\$ 74,779</u>	<u>\$ 292</u>	<u>\$ 75,071</u>
<u>LIABILITIES:</u>			
Interfund Payable - General Fund	\$ 30,451		\$ 30,451
Payroll Deductions and Withholdings	33,370		33,370
Due to Student Groups	10,958		10,958
Total Liabilities	<u>74,779</u>		<u>74,779</u>
<u>NET POSITION:</u>			
Held in Trust for:			
Flexible Spending Claims		\$ 292	292
Total Net Position	<u>\$ -0-</u>	<u>\$ 292</u>	<u>\$ 292</u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

Exhibit B-8

BOROUGH OF STANHOPE SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Flexible Spending Trust</u>
ADDITIONS:	
Contributions:	
Plan Members	\$ 1,363
Total Additions	<u>1,363</u>
DEDUCTIONS:	
Flexible Spending Claims	<u>1,160</u>
Total Deductions	<u>1,160</u>
Change in Net Position	203
Net Position - Beginning of the Year	<u>\$ 89</u>
Net Position - End of the Year	<u><u>\$ 292</u></u>

THE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS ARE
AN INTEGRAL PART OF THIS STATEMENT

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Board of Education (the "Board") of Borough of Stanhope School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

Governmental Accounting Standards Board publication, Codification of Governmental Accounting and Financial Reporting Standards, Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. The basic criterion for inclusion or exclusion from the financial reporting entity is the exercise of oversight responsibility over agencies, boards and commissions by the primary government. The exercise of oversight responsibility includes financial interdependency and a resulting financial benefit or burden relationship, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. In addition, certain legally separate, tax-exempt entities that meet specific criteria (i.e. benefit of economic resources, access/entitlement to economic resources, and significances) should be included in the financial reporting entity. The combined financial statements include all funds of the District over which the Board exercises operating control. The operations of the District include two elementary schools, located in the Borough of Stanhope. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore, the District is not includable in any other reporting entity on the basis of such criteria.

B. Basis of Presentation:

District-Wide Financial Statements:

The statement of net position and the statement of activities present financial information about the District's governmental and business type activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenue and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenue for business-type activities and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Indirect expenses are allocated to the functions using an appropriate allocation method or association with the specific function. Indirect expenses include health benefits, employer's share of payroll taxes, compensated absences and tuition reimbursements. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue. The comparison of direct expenses with program revenues identifies the extent to which each government function or business segment is self-financing or draws from the general revenues of the District.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

Fund Financial Statements:

During the fiscal year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The New Jersey Department of Education (NJDOE) has elected to require New Jersey districts to treat each governmental fund as a major fund in accordance with the option noted in GASB No. 34, paragraph 76. The NJDOE believes that the presentation of all funds as major is important for public interest and to promote consistency among district financial reporting models.

The District reports the following governmental funds:

General Fund: The General Fund is the general operating fund of the District and is used to account for and report all expendable financial resources not accounted for and reported in another fund. Included are certain expenditures for vehicles and movable instructional or noninstructional equipment which are classified in the capital outlay subfund.

As required by NJDOE, the District includes budgeted capital outlay in this fund. GAAP, as it pertains to governmental entities, states that general fund resources may be used to directly finance capital outlays for long-lived improvements as long as the resources in such cases are derived exclusively from unrestricted revenue. Resources for budgeted capital outlay purposes are normally derived from State of New Jersey Aid, district taxes and appropriated fund balance. Expenditures are those that result in the acquisition of or additions to fixed assets for land, existing buildings, improvements of grounds, construction of buildings, additions to or remodeling of buildings and the purchase of built-in equipment. These resources can be transferred from and to current expenses by board resolution.

Special Revenue Fund: The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Thus, the Special Revenue Fund is used to account for the proceeds of specific revenue from State and Federal Governments (other than major or capital projects, debt service or the enterprise funds) and local appropriations that are legally restricted or committed to expenditures for specified purposes.

Capital Projects Fund: The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those financed by proprietary funds). The financial resources are derived from temporary notes or serial bonds that are specifically authorized by the voters as a separate question on the ballot either during the annual election or at a special election, funds appropriated from the General Fund, and from aid provided by the state to offset the cost of approved capital projects.

Debt Service Fund: The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. Basis of Presentation (Cont'd)

The District reports the following proprietary fund:

Enterprise (Food Service) Fund: The Enterprise Funds account for all revenue and expenses pertaining to the Board's cafeteria operations. The Food Service Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation and indirect costs) of providing goods or services to the students on a continuing basis are financed or recovered primarily through user charges.

Additionally, the District reports the following fund type:

Fiduciary Funds: The Fiduciary Funds are used to account for assets held by the District on behalf of others and includes the Student Activities Fund, Payroll Agency Fund and Flexible Spending Trust Fund.

C. Measurement Focus and Basis of Accounting

The district-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

It is the District's policy, that when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, to apply restricted resources first followed by unrestricted resources. Similarly, within unrestricted fund balance, it is the District's policy to apply committed resources first followed by assigned resources and then unassigned resources when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2015, was submitted to the County office and was approved by a vote of the Board of Education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgetary amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budget during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not.

The general fund budgetary revenue differs from GAAP revenue due to a difference in recognition of the last two state aid payments for the current year. Since the State is recording the last state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. Budgets/Budgetary Control (Cont'd)

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenue and Expenditures:

	General Fund	Special Revenue Fund
Sources/Inflows of Resources:		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 5,876,758	\$ 138,861
Differences - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Purposes, Not recognized for Budgetary Statements	147,062	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	(147,762)	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	\$ 5,876,058	\$ 138,861
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	\$ 5,798,041	\$ 138,861
Total Expenditures as Reported on the Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds	\$ 5,798,041	\$ 138,861
		Capital Projects Fund
	Revenue	Fund Balance
Revenue/Committed Fund Balance	\$ 367,567	\$ 484,178
Reconciliation to Governmental Funds Statements (GAAP):		
Current Year SDA Grant Receivable Recognized/(not Recognized) on GAAP Basis	(220,536)	(220,536)
Revenue/Fund Balance per Governmental Funds (GAAP)	\$ 147,031	\$ 263,642

E. Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash and cash in banks. Certificates of deposit with maturities of one year or less when purchased are stated at cost.

New Jersey school districts are limited as to the type of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey school districts. Additionally, the District has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. Cash and Cash Equivalents and Investments (Cont'd)

N.J.S.A 17:9-41et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having market value of at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all the other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

F. Interfund Transactions:

Transfers between governmental and business-type activities on the District-wide statements are reported in the same manner as general revenues. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in the enterprise fund. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

On fund financial statements, short-term interfund loans are classified as interfund receivables/payables. These amounts are eliminated in the statement of net position, except for amounts due between governmental and business-type activities which are presented as internal balances.

G. Allowance for Uncollectible Accounts:

No allowance for uncollectible accounts has been recorded as all amounts are considered collectible.

H. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to restrict a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as restricted, committed and/or assigned fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as unearned revenue at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

I. Short-term Interfund Receivables/Payables:

Short-term interfund receivables/payables represent amounts that are owed, other than charges for goods or services rendered to/from a particular fund in the District and that are due within one year.

J. Inventories and Prepaid Expenses:

Inventories and prepaid expenses, which benefit future periods, other than those recorded in the enterprise fund, are recorded as an expenditure during the year of purchase.

Enterprise fund inventories are valued at cost, which approximates market, using the first-in, first-out (FIFO) method. Prepaid expenses in the general or enterprise funds represent payments made to vendors for services that will benefit periods beyond June 30, 2015.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

K. Capital Assets:

During the year ended June 30, 1994, the District established a formal system of accounting for its capital assets. Capital assets acquired or constructed subsequent to June 30, 1994, are recorded at historical cost including ancillary charges necessary to place the asset into service. Capital assets acquired or constructed prior to the establishment of the formal system are valued at cost based on historical records or through estimation procedures performed by an independent appraisal company. Land has been recorded at estimated historical cost. Donated capital assets are valued at their estimated fair market value on the date received. The cost of normal maintenance and repairs is not capitalized. The District does not possess any infrastructure. Capital assets have been reviewed for impairment.

The capitalization threshold (the dollar value above which asset acquisitions are added to the capital asset accounts) is \$2,000. The depreciation method is straight-line. The estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

	<u>Estimated Useful Life</u>
Buildings	50 years
Site Improvements	20 years
Furniture and Equipment	10 to 15 years
Computer and Related Technology	5 years
Vehicles	8 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures in the governmental fund upon acquisition. Capital assets are not capitalized and the related depreciation is not reported in the fund financial statements.

L. Long Term Liabilities:

In the district-wide and enterprise fund statements of net position, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or enterprise funds. Bond premium and discounts are reported as deferred charges and amortized over the term of the related debt using the straight-line method of amortization. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Accrued Salaries and Wages

The District does not allow employees who provide services to the District over the ten-month academic year the option to have their salaries evenly disbursed during the entire twelve month year. Therefore, there are no accrued salaries and wages as of June 30, 2015.

N. Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's various employee contracts/agreements. Upon termination, employees are paid for accrued vacation. The District's various employee contracts/agreements permit employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee contracts/agreements.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. Compensated Absences (Cont'd)

In the district-wide *Statement of Net Position*, the liabilities, whose average maturities are greater than one year, should be reported in two components – the amount due within one year and the amount due in more than one year.

O. Unearned Revenue

Unearned revenue in the special revenue fund represents cash which has been received but not yet earned.

P. Fund Balance Appropriated

General Fund: Of the \$620,679 General Fund fund balance at June 30, 2015, \$78,917 is assigned for year end encumbrances; \$54,152 is restricted in the capital reserve account; the \$199,738 is restricted for current year excess surplus in accordance with N.J.S.A. 18A:7F-7 as amended by P.L. 2004, C.73 (S1701) and will be appropriated and included as anticipated revenue for the fiscal year ending June 30, 2017; \$164,685 is restricted as prior year excess surplus and has been appropriated and included as anticipated revenue for the fiscal year ended June 30, 2016; and there is \$123,187 of unassigned fund balance, which is \$147,762 less than the calculated maximum unassigned fund balance due to the final State Aid payments that are not recognized on GAAP basis until the fiscal year ending June 30, 2016.

Capital Projects Fund: The Capital Projects Fund fund balance at June 30, 2015 of \$263,642 is committed, on a GAAP basis, which is \$220,536 less than on a budgetary basis due to the portion of the SDA grants receivable not recognized on the GAAP basis as these funds were not expended and submitted for reimbursement.

Calculation of Excess Surplus: In accordance with N.J.S.A. 18A:7F-7, as amended by P.L. 2004, C.73 (s1701), the designation for Restricted Fund Balance-Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to restrict General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent year's budget. The District has excess surplus as outlined above.

Unassigned fund balance in the General Fund is less on a GAAP basis than the budgetary basis in the amount of \$147,762 as of June 30, 2015 as reported in the fund statements (modified accrual basis). P.L. 2003, C.97 provides that in the event state school aid payments are not made until the following school budget year, districts must record the last two state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the last two state aid payments in the subsequent fiscal year, the school district cannot recognize these last two state aid payments on the GAAP financial statements until the year the State records the payable. The excess surplus calculation is calculated using the fund balance reported on the Budgetary Comparison Schedule, including the final state aid payments and not the fund balance reported on the fund statement which excludes the last two state aid payments.

Q. Deficit Net Position

The District has a deficit in unrestricted net position of \$661,743 in governmental activities, which is primarily due to accrued interest payable of \$17,224, \$28,820 of compensated absences payable, investment gains in pensions of \$58,243 and net pension liability of \$977,328; net of \$78,917 assigned to other purposes, \$123,187 unassigned, changes in proportion in pensions of \$107,704 and changes in pension assumptions of \$30,732. This deficit does not indicate that the District is in financial difficulties and is a permitted practice under generally accepted accounting principles.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

R. Net Position:

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period. A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. The District had deferred inflows of resources at June 30, 2015 for the net difference between projected and actual investment earnings on pension plan investments. The District had a deferred outflow of resources for the Deferred Amount on Refunding, changes in assumptions in pensions and changes in proportions in pensions at June 30, 2015.

Net position is displayed in three components - net investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also would be included in this component of net position.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

S. Fund Balance Restrictions, Commitments and Assignments:

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. The committed fund balance classification includes amounts that can be used only for the specific purposes determined for a formal action of the District's highest level of decision-making authority. Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classifications should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts has been restricted, committed or assigned.

Fund Balance restrictions have been established for excess surplus and capital reserve.

The District Board of Education has the responsibility to formally commit resources for specific purposes through a motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body. The Board of Education must also utilize a formal motion or a resolution passed by a majority of the Members of the Board of Education at a public meeting of that governing body in order to remove or change the commitment of resources. The District has committed resources in the Capital Projects Fund at June 30, 2015.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

S. Fund Balance Restrictions, Commitments and Assignments: (Cont'd)

The assignment of resources is generally made by the District Board of Education through a motion or a resolution passed by a majority of the Members of the Board of Education. These resources are intended to be used for a specific purpose. The process is not as restrictive as the commitment of resources and the Board of Education may allow an official of the District to assign resources through policies adopted by the Board of Education. The District has assigned resources for year-end encumbrances at June 30, 2015.

T. Revenue - Exchange and Nonexchange Transactions:

Revenue, resulting from exchange transactions in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means within sixty days of the fiscal year end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the School District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes, interest and tuition.

U. Operating Revenue and Expenses:

Operating revenue are those revenues that are generated directly from the primary activity of the Enterprise Fund. For the School District, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Enterprise Fund.

V. Management Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

W. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State of New Jersey Public Employees' Retirement System (PERS) and the State of New Jersey Teachers' Pension and Annuity Fund (TPAF) and additions to/deductions from the PERS's and TPAF's net position have been determined on the same basis as they are reported by the PERS and the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension Plan investments are reported at fair value.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENTAL FUND STATEMENTS AND DISTRICT-WIDE STATEMENTS

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

Cash and cash equivalents include petty cash, change funds, amounts in deposits, and short-term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The Board classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB Statement No. 40, *Governmental Accounting Standards Board Deposit and Investment Risk Disclosures*, requires disclosure of the level of custodial credit risk assumed by the District in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned.

Interest Rate Risk - In accordance with its cash management plan, the District ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk - The District limits its investments to those authorized in its cash management plan which are those permitted under state statute as detailed below and on the following page.

Deposits:

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit, and

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank, the Federal Home Loan Bank Board, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000,000.

Investments:

New Jersey statutes permit the Board to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Cont'd)

Investments: (Cont'd)

- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units;
- (5) Local government investment pools;
- (6) Deposits with the State of New Jersey Cash Management Fund; or
- (7) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) above;
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in statute; and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of June 30, 2015, cash and cash equivalents of the District consisted of the following:

	Restricted Cash and Cash Equivalents	Cash and Cash Equivalents	Total
Checking Accounts	\$ 54,152	\$ 784,541	\$ 838,693

During the period ended June 30, 2015, the District did not hold any investments. The carrying amount of the Board's cash and cash equivalents at June 30, 2015, was \$838,693 and the bank balance was \$1,216,687.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
 (Continued)

NOTE 4. CAPITAL RESERVE ACCOUNT

A capital reserve account was established by the District by inclusion of \$1 on October 10, 2000 for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the District's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the State Department of Education, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end of any unanticipated revenue or unexpended line item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to N.J.S.A. 19:60-2. Pursuant to N.J.A.C. 6:23A-5.1(d)7, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2014 to June 30, 2015 fiscal year is as follows:

Beginning Balance, July 1, 2014	\$ 255,237
Add:	
Interest Earned on Capital Reserve	255
Transfer by Board Resolution June 2015	50,000
Less:	
Withdrawal by Board Resolution	<u>(251,340)</u>
Ending Balance, June 30, 2015	<u><u>\$ 54,152</u></u>

The balance in the capital reserve account at June 30, 2015 does not exceed the LRFP balance of local support costs of uncompleted capital projects. The withdrawal from the capital reserve was for use in DOE approved facilities projects, consistent with the District's LRFP.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 5. CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 526,300			\$ 526,300
Construction in Progress		\$ 434,722		434,722
Total Capital Assets Not Being Depreciated	<u>526,300</u>	<u>434,722</u>		<u>961,022</u>
Capital Assets Being Depreciated:				
Site Improvements	162,070			162,070
Buildings and Building Improvements	7,920,340			7,920,340
Machinery and Equipment	191,695	17,663		209,358
Total Capital Assets Being Depreciated	<u>8,274,105</u>	<u>17,663</u>		<u>8,291,768</u>
Governmental Activities Capital Assets	<u>8,800,405</u>	<u>452,385</u>		<u>9,252,790</u>
Less Accumulated Depreciation for:				
Site Improvements	(84,158)	(5,814)		(89,972)
Buildings and Building Improvements	(2,359,337)	(154,317)		(2,513,654)
Machinery and Equipment	(151,991)	(12,587)		(164,578)
	<u>(2,595,486)</u>	<u>(172,718)</u>		<u>(2,768,204)</u>
Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 6,204,919</u>	<u>\$ 279,667</u>	<u>\$ -0-</u>	<u>\$ 6,484,586</u>
Business Type Activities:				
Capital Assets Being Depreciated:				
Machinery and Equipment	\$ 26,600			\$ 26,600
Less: Accumulated Depreciation	(15,268)	\$ (1,710)		(16,978)
Business Type Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 11,332</u>	<u>\$ (1,710)</u>	<u>\$ -0-</u>	<u>\$ 9,622</u>

Depreciation expense was charged to governmental functions as follows:

Regular Instruction	\$ 5,210
Support Services	1,604
General Administration	1,604
School Administration	1,604
Central Services	1,604
Operations and Maintenance of Plant	961
Unallocated	<u>160,131</u>
	<u>\$ 172,718</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 6. LONG-TERM LIABILITIES

During the fiscal year ended June 30, 2015, the following changes occurred in liabilities reported in the district-wide financial statements:

	(Restated) Balance 6/30/2014	Issued/ Accrued	Matured	Balance 6/30/2015
Serial Bonds Payable	\$ 2,540,000		\$ 245,000	\$ 2,295,000
Net Pension Liability	870,145	\$ 107,183		977,328
Capital Leases	219,941	300,000	60,311	459,630
Compensated Absences Payable	45,510	343	17,033	28,820
	<u>\$ 3,675,596</u>	<u>\$ 407,526</u>	<u>\$ 322,344</u>	<u>\$ 3,760,778</u>

A. Bonds Payable:

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are general obligation bonds. The current portion of the bonds payable is \$255,000 and the long term portion is \$2,040,000.

On June 12, 2012 the District issued \$2,805,000 refunding bonds with interest rates ranging from 2.5%- 4.0% to refund \$2,844,000 of the \$4,769,000 school bonds dated April 15, 2003 with rates ranging from 3.75- 4.25%. The refunding bonds will mature on April 15, 2014 through April 15, 2023 and constitute an advanced refunding. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent who paid the debt service requirements of the refunded bonds and redeemed the refunded bonds, at a redemption price equal to 100% of par, on April 15, 2013, which was the first optional redemption date. The refunding met the requirements of an insubstance debt defeasance and the school bonds were removed from the District's government-wide financial statements. As a result of the advance refunding, the District reduced its total debt service requirements by \$152,153, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt).

Principal and interest due on serial bonds outstanding are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 255,000	\$ 82,675	\$ 337,675
2017	260,000	76,300	336,300
2018	270,000	68,500	338,500
2019	280,000	60,400	340,400
2020	295,000	49,200	344,200
Thereafter (2021-2023)	935,000	75,200	1,010,200
	<u>\$ 2,295,000</u>	<u>\$ 412,275</u>	<u>\$ 2,707,275</u>

B. Bonds Authorized But Not Issued:

As of June 30, 2015, the Board had no bonds authorized but not issued.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 6. LONG-TERM LIABILITIES (Cont'd)

C. Capital Leases Payable:

The District entered into two lease purchase agreement in 2014 for technology equipment for \$159,851 and \$98,079, respectively and a \$300,000 lease purchase agreement in 2015 for the partial roof replacement project. The capital leases have terms of four to five years. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30, 2015.

The current portion of Capital Leases payable at June 30, 2015 is \$92,035 and the long-term portion is \$367,595.

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 102,736
2017	105,401
2018	105,401
2019	105,401
2020	<u>71,838</u>
	490,777
Less: Amount representing interest	<u>(31,147)</u>
Present value of net minimum lease payments	<u><u>\$ 459,630</u></u>

D. Compensated Absences Payable:

The liability for compensated absences of the governmental fund types is recorded in the current and long-term liabilities. The current portion of the compensated absences balance of the governmental funds is \$-0- and is separated from the long-term liability balance of compensated absences of \$28,820.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2015, no liability existed for compensated absences in the Proprietary Funds.

The General Fund will be used to liquidate the governmental funds compensated absences payable and capital leases payable. The bond payments will be paid from the Debt Service Fund.

E. Net Pension Liability:

The Public Employees' Retirement System's (PERS) net pension liability of the governmental fund types is recorded in the current and long-term liabilities and will be liquidated by the General Fund. The current portion of the net pension liability at June 30, 2015 is \$-0- and the long-term portion is \$977,328. See Note 7 for further information on the PERS.

NOTE 7. PENSION PLANS

Substantially all of the Board's employees participate in one of the two contributory, defined benefit public employee retirement systems: the Teachers' Pension and Annuity Fund (TPAF) or the Public Employee's Retirement System (PERS) of New Jersey; or the Defined Contribution Retirement Program (DCRP).

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 or more years of service credit and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 50 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing members. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. District contributions to PERS amounted to \$43,033 for fiscal year 2015.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Contributions (Cont'd)

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability of \$977,328 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the District's proportion was 0.005%, which was a decrease of 0.001% from its proportion measured as of June 30, 2013.

For the fiscal year ended June 30, 2015, the District recognized pension expense of \$70,045. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 30,732	
Changes in Proportion	107,704	
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		<u>\$ 58,243</u>
	<u>\$ 138,436</u>	<u>\$ 58,243</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts including changes in proportion) related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>
2015	\$ (8,912)
2016	(8,912)
2017	(8,912)
2018	(8,912)
2019	5,649
Thereafter	<u>2,488</u>
	<u>\$ (27,511)</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	3.01%
Salary Increases:	
2012-2021	2.15 – 4.40% based on age
Thereafter	3.15 – 5.40% based on age
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback 1 year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bonds	1.00%	2.49%
Intermediate-Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation-Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Equities	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Return	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

A. Public Employees' Retirement System (PERS) (Cont'd)

Discount Rate

The discount rate used to measure the total pension liability was 5.39% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net pension liability as of June 30, 2014 calculated using the discount rate as disclosed below, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (4.39%)	Current Discount Rate (5.39%)	1% Increase (6.39%)
District's proportionate share of the Net Pension Liability	\$ 1,229,512	\$ 977,328	\$ 765,558

Pension plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

B. Teachers' Pension and Annuity Fund (TPAF)

Plan Description

The State of New Jersey, Teachers' Pension and Annuity Fund (TPAF), is a cost-sharing multiple-employer defined benefit pension plan with a special funding situation, by which the State of New Jersey (the State) is responsible to fund 100% of the employer contributions, excluding any local employer early retirement incentive (ERI) contributions. The TPAF is administered by the State of New Jersey Division of Pensions and Benefits (the Division). For additional information about the TPAF, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.us/treasury/pensions/annrpts.shtml.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 18A:66. TPAF provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of TPAF. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts. The following represents the membership tiers for TPAF:

Tier	Definition
1	Members who were enrolled prior to July 1, 2007
2	Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3	Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4	Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5	Members who were eligible to enroll on or after June 28, 2011

Contributions

The contribution policy for TPAF is set by N.J.S.A. 18A:66 and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which included the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2014, the State's pension contribution was less than the actuarially determined amount.

The employer contributions for local participating employers are legally required to be funded by the State in accordance with N.J.S.A. 18:66-33. Therefore, these local participating employers are considered to be in a special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to report in the financial statements of the local participating employers, such as the District. This note discloses the portion of the District's total proportionate share of the net pension liability that is associated with the District. During the fiscal year ended 2015, the State of New Jersey contributed \$101,775 to the TPAF for normal pension benefits on behalf of the District, which is less than the contractually required contribution of \$583,022.

The employee contribution rate was 6.92% effective July 1, 2014. Subsequent increases after October 1, 2011 are being phased in over 7 years effective on each July 1st to bring the total pension contribution rate to 7.5% of base salary as of July 1, 2018.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the State's proportionate share of the net pension liability associated with the District was \$10,834,956. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2014, the District's proportion was 0.020%, which was an increase of 0.001% from its proportion measured as of June 30, 2013.

District's Proportionate Share of the Net Pension Liability	\$ -0-
State's Proportionate Share of the Net Pension Liability Associated with the District	<u>10,834,956</u>
Total	<u>\$ 10,834,956</u>

For the fiscal year ended June 30, 2014, the State recognized pension expense on behalf of the District in the amount of \$583,022 and the District recognized pension expense and revenue for that same amount in the fiscal year ended June 30, 2015 financial statements.

The State reported collective deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Assumptions	\$ 2,306,623,861	
Difference Between Expected and Actual Experience		\$ 21,969,019
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments		<u>1,741,236,574</u>
	<u>\$ 2,306,623,861</u>	<u>\$ 1,763,205,593</u>

The \$2,306,623,861 reported as deferred outflows of resources related to pensions resulting from changes in assumptions will be amortized over a period of 8.5 years. The \$21,969,019 reported deferred outflows of resources related to pensions resulting from differences between expected and actual experience will be amortized over a period of 8.5 years. The \$1,741,236,574 reported as a deferred inflow of resources resulting from the difference between projected and actual investment earnings on pension plan investments will be amortized over 5 years.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)

Fiscal Year Ending June 30,	Total
2016	(130,688,498)
2017	(130,688,498)
2018	(130,688,498)
2019	(130,688,496)
2020	304,620,646
Thereafter	761,551,612
	\$ 543,418,268

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013 which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement.

Inflation Rate	2.50%
Salary Increases:	
2012-2021	Varies based on experience
Thereafter	Varies based on experience
Investment Rate of Return	7.90%

Mortality rates were based on the RP-2000 Health Annuitant Mortality Tables for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA. Pre-retirement mortality improvements for active members are projected using Scale AA from the base year of 2000 until the valuation date plus 15 years to account for future mortality improvement. Post-retirement mortality improvements for non-disabled annuitants are projected using Scale AA from the base year of 2000 for males and 2003 for females until the valuation date plus 7 years to account for future mortality improvement.

The actuarial assumptions used in the July 1, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2012.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in TPAF's target asset allocation as of June 30, 2014 is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.50%
Core Fixed Income	0.00%	2.19%
Core Bonds	1.00%	1.38%
Short-Term Bonds	0.00%	1.00%
Intermediate-Term Bonds	11.20%	2.60%
Long-Term Bonds	0.00%	3.23%
Mortgages	2.50%	2.84%
High Yield Bonds	5.50%	4.15%
Non-U.S. Fixed Income	0.00%	1.41%
Inflation-Indexed Bonds	2.50%	1.30%
Broad U.S. Equities	25.90%	5.88%
Large CAP U.S. Equities	0.00%	5.62%
Mid CAP U.S. Equities	0.00%	6.39%
Small CAP U.S. Equities	0.00%	7.39%
Developed Foreign Equities	12.70%	6.05%
Emerging Market Equities	6.50%	8.90%
Private Equity	8.25%	9.15%
Hedge Funds/Absolute Return	12.25%	3.85%
Real Estate (Property)	3.20%	4.43%
Real Estate (REITS)	0.00%	5.58%
Commodities	2.50%	3.60%
Long Credit Bonds	0.00%	3.74%

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 7. PENSION PLANS (Cont'd)

B. Teachers' Pension and Annuity Fund (TPAF) (Cont'd)

Discount Rate – TPAF

The discount rate used to measure the total pension liability was 4.68% as of June 30, 2014. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9% and a municipal bond rate of 4.29% as of June 30, 2014 based on the Bond Buyer Go 20 Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based upon the average of the last five years. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2027. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2027, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the State as of June 30, 2014 calculated using the discount rate as disclosed above, as well as what the State's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Fiscal Year Ended June 30, 2014		
	1% Decrease (3.68%)	Current Discount Rate (4.68%)	1% Increase (5.68%)
Total Net Pension Liability	\$ 64,722,984,539	\$53,813,067,539	\$44,738,870,539

Pension Plan Fiduciary Net Position - TPAF

Detailed information about the TPAF's fiduciary net position is available in the separately issued TPAF financial statements.

C. Defined Contribution Retirement Program (DCRP)

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or TPAF, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

(Continued)

NOTE 7. PENSION PLANS (Cont'd)

C. Defined Contribution Retirement Program (DCRP)

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

For DCRP, the District recognized pension expense of \$5,191 for the fiscal year ended June 30, 2015. Employee contributions to DCRP amounted to \$14,709 for the fiscal year ended June 30, 2015.

NOTE 8. POST-RETIREMENT BENEFITS

Chapter 384 of Public Laws 1987 and Chapter 6 of Public Laws 1990 required TPAF and PERS, respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. Chapter 103 of Public Law amended the law to eliminate the funding of post-retirement medical benefits through TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2014, there were 103,432 retirees receiving post-retirement medical benefits, and the State contributed \$1.04 billion on their behalf. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in fiscal year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides employer paid benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$165.8 million toward Chapter 126 benefits for 18,122 eligible retired members in Fiscal Year 2014.

The State's on-behalf Post Retirement Medical Contributions to TPAF for the District amounted to \$161,567, \$140,614 and \$141,080 for 2015, 2014 and 2013, respectively. These amounts have been included in the District-wide financial statements and the fund-based statements as revenues and expenditures in accordance with GASB Statement No. 24.

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The District obtains their health benefit coverage through the State of New Jersey Health Benefits Plan and dental insurance coverage through Delta Dental Plan of NJ.

Property and Liability and Health Benefits

The District is a member of the School Alliance Insurance Fund (the "Fund"). This public entity risk management pool provides general liability, property and automobile coverage and workers' compensation for its members. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report. The Fund is a risk-sharing public entity risk pool that is an insured and self-administered group of school boards established for the purpose of providing low-cost insurance for its respective members in order to keep local property taxes to a minimum. Each member appoints an official to represent their respective entity for the purpose of creating a governing body from which officers for the Fund are elected.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 9. RISK MANAGEMENT (Cont'd)

Property and Liability and Health Benefits (Cont'd)

As a member of this Fund, the District could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the State of New Jersey Department of Banking and Insurance. These distributions are divided among the members in the same ratio as their individual assessment related to the total assessment of the membership body.

The June 30, 2015 audit report for the fund is not available as of the date of this report. Selected, summarized financial information for the Fund as of June 30, 2014 is as follows:

	<u>School Alliance Insurance Fund</u>
Total Assets	\$ 33,508,569
Net Position	\$ 5,114,269
Total Revenue	\$ 33,869,258
Total Expenses	\$ 37,253,827
Change in Net Position	\$ (3,384,569)
Member Dividends	\$ -0-

Financial statements for the Fund are available at the Fund's Executive Director's Office:

Public Entity Group Administrative Services
51 Everett Drive
Suite B-40
West Windsor, NJ 08550

New Jersey Unemployment Compensation Insurance

The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Contributory Method". Under this plan, the District is required to remit employee withholdings to the State on a quarterly basis. All of the District claims are paid by the State.

NOTE 10. ECONOMIC DEPENDENCY

The Board of Education receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the Board of Education's programs and activities.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 11. INTERFUND RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General Fund	\$ 42,224	
Capital Projects Fund		\$ 7
Special Revenue Fund		6,895
Food Service Fund		4,871
Fiduciary Fund - Agency		30,451
	<u>\$ 42,224</u>	<u>\$ 42,224</u>

The interfund payable of \$4,871 in the Food Service Fund is salaries of cafeteria aides due to the General Fund. The interfund payable of \$6,895 in Special Revenue Fund is due to grant funds not being received during the fiscal year ended June 30, 2015. The interfund payable in the Fiduciary Fund is employee health and dental reimbursements due to the General Fund from the Payroll Agency Fund.

NOTE 12. DEFERRED COMPENSATION

The Board offers its employees a choice of the following deferred compensation plans created in accordance with Internal Revenue Code Section 403(b). The plans, which are administered by the entities listed below, permit participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

The plan administrators are as follows:

Lincoln Financial Group
AXA Equitable
Lincoln Investment Planning, Inc.

NOTE 13. TAX CALENDAR

Property taxes are levied as of January 1 on property values assessed as of the previous calendar year. The tax levy is divided into two billings. The first billing is an estimate of the current year's levy based on the prior year's taxes. The second billing reflects adjustments to the current year's actual levy. The final tax bill is usually mailed on or before June 14th, along with the first half estimated tax bills for the subsequent year. The first half estimated taxes are divided into two due dates, February 1 and May 1. The final tax bills are also divided into two due dates, August 1 and November 1. A ten-day grace period is usually granted before the taxes are considered delinquent and there is an imposition of interest charges. A penalty may be assessed for any unpaid taxes in excess of \$10,000 at December 31 of the current year. Unpaid taxes of the current and prior year may be placed in lien at a tax sale held after December 10. Taxes are collected by the constituent municipality and are remitted to the local school district on a predetermined mutually agreed-upon schedule.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 14. CONTINGENT LIABILITIESGrant Programs

The School District participates in state and federally assisted grant programs. The programs are subject to program compliance audits by grantors or their representatives. The School District is potentially liable for expenditures which may be disallowed pursuant to terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Litigation

The District is periodically involved in pending lawsuits. The District estimates that any potential claims against it resulting from such litigation and not covered by insurance would not materially affect the financial position of the District.

Encumbrances

At June 30, 2015, there were encumbrances as detailed below in the governmental funds. All of the governmental funds are considered to be major funds:

General Fund	Total Governmental Funds
\$ 78,917	\$ 78,917

NOTE 15. ACCOUNTS PAYABLE

Payables as of June 30, 2015 were:

	Governmental Activities	
	General Fund	Total Governmental Funds
Due to the State of New Jersey	\$ 60,000	\$ 60,000
Vendors	38,797	38,797
	\$ 98,797	\$ 98,797

NOTE 16: TRANSFERS TO CAPITAL OUTLAY

During the year ended June 30, 2015 the District made no transfers to capital outlay accounts.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 17. PRIOR PERIOD ADJUSTMENTS

The District made a prior year adjustment in the District Wide Financial Statements to record the net pension liability as of June 30, 2014 as a result of implementing Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment to GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

	<u>Balance 6/30/14</u> <u>as Previously</u> <u>Reported</u>	<u>Retroactive</u> <u>Adjustments</u>	<u>Balance 6/30/14</u> <u>as Restated</u>
<u>Statement of Net Assets:</u>			
<u>Governmental Activities:</u>			
Statement of Net Position:			
Liabilities:			
Non-Current Liabilities	\$ 2,805,451	\$ 870,145	\$ 3,675,596
Total Liabilities	2,867,219	870,145	3,737,364
Net Position:			
Unrestricted/(Deficit)	232,706	(870,145)	(637,439)
Total Net Position	4,278,830	(870,145)	3,408,685

SCHEDULES OF REQUIRED
SUPPLEMENTARY INFORMATION

BOROUGH OF STANHOPE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	Fiscal Year Ending June 30,	
	2014	2015
District's proportion of the net pension liability	0.0045528772%	0.0052200088%
District's proportionate share of the net pension liability	\$ 870,145	\$ 977,328
District's covered employee payroll	\$ 319,417	\$ 376,364
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	272.42%	259.68%
Plan fiduciary net position as a percentage of the total pension liability	48.72%	52.08%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF STANHOPE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 34,305	\$ 43,033
Contributions in relation to the contractually required contribution	<u>(34,305)</u>	<u>(43,033)</u>
Contribution deficiency/(excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered employee payroll	\$ 319,417	\$ 376,364
Contributions as a percentage of covered employee payroll	10.74%	11.43%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF STANHOPE SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' PENSION AND ANNUITY FUND
LAST TWO FISCAL YEARS
UNAUDITED

	<u>Fiscal Year Ending June 30,</u>	
	<u>2014</u>	<u>2015</u>
State's proportion of the net pension liability attributable to the District	0.0193092236%	0.0202724339%
State's proportionate share of the net pension liability attributable to the District	\$ 9,758,730	\$ 10,834,956
District's covered employee payroll	\$ 1,873,465	\$ 1,987,783
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	520.89%	545.08%
Plan fiduciary net position as a percentage of the total pension liability	33.76%	33.64%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the fiscal year ended June 30, 2015.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 5.55% as of June 30, 2013 to 5.39% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

B. TEACHERS PENSION AND ANNUITY FUND

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 4.95% as of June 30, 2013 to 4.68% as of June 30, 2014 in accordance with Paragraph 44 of GASB Statement No. 67.

BUDGETARY COMPARISON SCHEDULES

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 3,802,128		\$ 3,802,128	\$ 3,802,128	
Tuition from Other LEAs	30,559		30,559	33,140	\$ 2,581
Interest Earned on Capital Reserve Funds	40		40	255	215
Unrestricted Miscellaneous Revenue	3,824		3,824	72,144	68,320
Total - Local Sources	<u>3,836,551</u>		<u>3,836,551</u>	<u>3,907,667</u>	<u>71,116</u>
State Sources:					
Categorical Special Education Aid	202,273		202,273	202,273	
Equalization Aid	1,167,777		1,167,777	1,167,777	
Categorical Security Aid	34,064		34,064	34,064	
Adjustment Aid	66,645		66,645	66,645	
Categorical Transportation Aid	34,204		34,204	34,204	
PARCC Readiness Aid	3,500		3,500	3,500	
Per Pupil Growth Aid	3,500		3,500	3,500	
Extraordinary Aid	7,000		7,000	26,812	19,812
Additional Nonpublic Transportation Aid				1,137	1,137
On-Behalf TPAF Contributions (non-budgeted)				101,775	101,775
On-Behalf Post Retirement Contributions (non-budgeted)				161,567	161,567
Reimbursed TPAF Social Security Contributions (non-budgeted)				165,837	165,837
Total State Sources	<u>1,518,963</u>		<u>1,518,963</u>	<u>1,969,091</u>	<u>450,128</u>
TOTAL REVENUES	<u>5,355,514</u>		<u>5,355,514</u>	<u>5,876,758</u>	<u>521,244</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	\$ 145,782	\$ 4,118	\$ 149,900	\$ 148,835	\$ 1,065
Grades 1-5 - Salaries of Teachers	754,102	(17,975)	736,127	736,126	1
Grades 6-8 - Salaries of Teachers	433,797	31,167	464,964	462,833	2,131
Regular Programs - Home Instruction:					
Salaries of Teachers	600	(415)	185	53	132
Purchased Services		4,015	4,015	4,012	3
Regular Programs - Undistributed Instruction:					
Other Purchased Services	67,084	1,920	69,004	69,000	4
General Supplies	103,570	26,211	129,781	88,981	40,800
Textbooks	16,373	(5,310)	11,063	11,058	5
Other Objects	275	(275)			
Total Regular Programs - Instruction	<u>1,521,583</u>	<u>43,456</u>	<u>1,565,039</u>	<u>1,520,898</u>	<u>44,141</u>
Special Education - Instruction:					
Learning and/or Language Disabilities:					
Salaries of Teachers	49,450	12,003	61,453	61,453	
General Supplies	350	1,500	1,850	1,570	280
Total Learning and/or Language Disabilities	<u>49,800</u>	<u>13,503</u>	<u>63,303</u>	<u>63,023</u>	<u>280</u>
Resource Room/Resource Center:					
Salaries of Teachers	238,249	(3,823)	234,426	231,020	3,406
Other Salaries for Instruction	28,213	17,090	45,303	45,229	74
General Supplies	1,315	1,100	2,415	2,020	395
Total Resource Room/Resource Center	<u>267,777</u>	<u>14,367</u>	<u>282,144</u>	<u>278,269</u>	<u>3,875</u>
Autism:					
Salaries of Teachers	68,608	(9,293)	59,315	59,315	
General Supplies	3,350	6,993	10,343	9,906	437
Total Autism	<u>71,958</u>	<u>(2,300)</u>	<u>69,658</u>	<u>69,221</u>	<u>437</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Home Instruction:					
Salaries of Teachers	\$ 4,600		\$ 4,600	\$ 543	\$ 4,057
Total Home Instruction	<u>4,600</u>		<u>4,600</u>	<u>543</u>	<u>4,057</u>
Preschool Disabilities - Full-time - Instruction:					
Salaries of Teachers	52,420	\$ 3,162	55,582	55,375	207
Other Salaries for Instruction	10,068	(512)	9,556	9,556	
General Supplies	272		272	172	100
Total Preschool Disabilities - Full-time - Instruction	<u>62,760</u>	<u>2,650</u>	<u>65,410</u>	<u>65,103</u>	<u>307</u>
Total Special Education Instruction	<u>456,895</u>	<u>28,220</u>	<u>485,115</u>	<u>476,159</u>	<u>8,956</u>
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	57,130		57,130	56,880	250
General Supplies	510	2,770	3,280		3,280
Total Basic Skills/Remedial - Instruction	<u>57,640</u>	<u>2,770</u>	<u>60,410</u>	<u>56,880</u>	<u>3,530</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
School-Sponsored Co-Curricular Activities - Instruction:					
Salaries	\$ 15,295	\$ (875)	\$ 14,420	\$ 13,450	\$ 970
Other Objects	3,500	75	3,575	3,575	
Total School-Sponsored Co-Curricular Activities - Instruction	<u>18,795</u>	<u>(800)</u>	<u>17,995</u>	<u>17,025</u>	<u>970</u>
School-Sponsored Co-Curricular Athletics - Instruction:					
Salaries	6,176		6,176	4,700	1,476
Other Objects	650	800	1,450	1,420	30
Total School-Sponsored Co-Curricular Athletics - Instruction	<u>6,826</u>	<u>800</u>	<u>7,626</u>	<u>6,120</u>	<u>1,506</u>
Total Instruction	<u>2,061,739</u>	<u>74,446</u>	<u>2,136,185</u>	<u>2,077,082</u>	<u>59,103</u>
Undistributed Expenditures:					
Instruction:					
Tuition to Other LEAs Within the State - Special	278,495	(142,780)	135,715	134,550	1,165
Tuition to Private Schools for the Handicapped - Within State	126,754	86,560	213,314	210,549	2,765
Tuition - Other		22,000	22,000	21,307	693
Total Undistributed Expenditures - Instruction	<u>405,249</u>	<u>(34,220)</u>	<u>371,029</u>	<u>366,406</u>	<u>4,623</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Health Services:					
Salaries	\$ 75,440	\$ (885)	\$ 74,555	\$ 74,553	\$ 2
Purchased Professional and Technical Services	2,900	16,550	19,450	19,405	45
Other Purchased Services	135	100	235	165	70
Supplies and Materials	1,095	700	1,795	1,730	65
Total Health Services	<u>79,570</u>	<u>16,465</u>	<u>96,035</u>	<u>95,853</u>	<u>182</u>
Speech, OT, PT and Related Services:					
Salaries	161,030	(64,800)	96,230	94,347	1,883
Purchased Professional Services		67,500	67,500	66,283	1,217
Supplies and Materials	750	2,200	2,950	2,877	73
Total Speech, OT, PT and Related Services	<u>161,780</u>	<u>4,900</u>	<u>166,680</u>	<u>163,507</u>	<u>3,173</u>
Other Support Services - Students - Extraordinary Services:					
Salaries	113,604	(14,395)	99,209	99,204	5
Total Other Support Services - Students - Extraordinary Services	<u>113,604</u>	<u>(14,395)</u>	<u>99,209</u>	<u>99,204</u>	<u>5</u>
Other Support Services - Students - Guidance:					
Salaries of Secretarial and Clerical Assistants	16,814		16,814	16,814	
Salaries of Other Professional Staff	53,000	2,270	55,270	55,270	
Purchased Professional - Educational Services	1,500	270	1,770	1,762	8
Other Purchased Services	6,750		6,750	6,691	59
Supplies and Materials	600	800	1,400	1,381	19
Total Other Support Services - Students - Guidance	<u>78,664</u>	<u>3,340</u>	<u>82,004</u>	<u>81,918</u>	<u>86</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Other Support Services - Students - Child Study Team:					
Salaries of Other Professional Staff	\$ 100,368	\$ 37,920	\$ 138,288	\$ 138,286	\$ 2
Salaries of Secretarial and Clerical Assistants	24,762		24,762	24,762	
Purchased Professional - Educational Services	37,400	(34,000)	3,400	3,400	
Other Purchased Services	5,450	8,590	14,040	13,362	678
Miscellaneous Purchased Services	1,000	(170)	830	827	3
Supplies and Materials	3,837	3,500	7,337	7,267	70
Other Objects	100		100	100	
Total Other Support Services - Students - Child Study Team	<u>172,917</u>	<u>15,840</u>	<u>188,757</u>	<u>188,004</u>	<u>753</u>
Improvement of Instructional Services:					
Salaries of Supervisors of Instruction	83,004	(10,110)	72,894	72,839	55
Purchased Professional-Educational Services	29,000	(7,000)	22,000	21,875	125
Other Purchased Services	1,000		1,000	1,000	
Supplies and Materials	100		100		100
Other Objects	225		225		225
Total Improvement of Instructional Services	<u>113,329</u>	<u>(17,110)</u>	<u>96,219</u>	<u>95,714</u>	<u>505</u>
Educational Media Services/School Library:					
Salaries	14,428	(4,766)	9,662	8,820	842
Salaries of Technology Coordinators	47,338	1	47,339	47,338	1
Other Purchased Services		2,045	2,045		2,045
Supplies and Materials	2,300	2,475	4,775	4,554	221
Total Educational Media Services/School Library	<u>64,066</u>	<u>(245)</u>	<u>63,821</u>	<u>60,712</u>	<u>3,109</u>
Instructional Staff Training Services:					
Purchased Professional-Educational Services	5,874	3,300	9,174	8,745	429
Other Purchased Services	3,000	7,550	10,550	5,950	4,600
Total Instructional Staff Training Services	<u>8,874</u>	<u>10,850</u>	<u>19,724</u>	<u>14,695</u>	<u>5,029</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Support Services - General Administration:					
Salaries	\$ 125,062	\$ (1,600)	\$ 123,462	\$ 123,438	\$ 24
Legal Services	23,500	(10,500)	13,000	7,486	5,514
Audit Fees	23,200		23,200	22,975	225
Other Purchased Professional Services	550	5,710	6,260	5,225	1,035
Communications/Telephone	14,000	6,290	20,290	14,366	5,924
Board of Education Other Purchased Services	435	1,140	1,575	1,574	1
Other Purchased Services	35,075	(8,025)	27,050	23,343	3,707
General Supplies	1,000	1,500	2,500	2,484	16
Judgements Against the School District	30,000		30,000	30,000	
Miscellaneous Expenditures	4,000	(165)	3,835	2,733	1,102
Board of Education Membership Dues and Fees	3,500		3,500	3,392	108
Total Support Services - General Administration	<u>260,322</u>	<u>(5,650)</u>	<u>254,672</u>	<u>237,016</u>	<u>17,656</u>
Support Services - School Administration:					
Salaries of Principals/Assistant Principals	75,750	3,700	79,450	79,449	1
Salaries of Secretarial and Clerical Assistants	30,592	2,256	32,848	32,847	1
Purchased Professional and Technical Services		4,000	4,000	1,000	3,000
Other Purchased Services	10,436	(681)	9,755	9,079	676
Supplies and Materials	2,050	575	2,625	2,009	616
Other Objects	3,500	(1,500)	2,000	1,890	110
Total Support Services - School Administration	<u>122,328</u>	<u>8,350</u>	<u>130,678</u>	<u>126,274</u>	<u>4,404</u>
Central Services:					
Salaries	88,191	(21,335)	66,856	60,416	6,440
Purchased Professional Services	100,955	21,335	122,290	122,287	3
Miscellaneous Purchased Services	500	100	600	559	41
Supplies and Materials	3,986	(100)	3,886	2,695	1,191
Interest on Lease Purchase Agreements	1,336		1,336	1,335	1

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
EXPENDITURES:					
CURRENT EXPENSE					
Central Services (Cont'd):					
Miscellaneous Expenditures	\$ 1,000		\$ 1,000	\$ 762	\$ 238
Total Central Services	<u>195,968</u>		<u>195,968</u>	<u>188,054</u>	<u>7,914</u>
Administrative Information Technology:					
Salaries	20,288		20,288	20,288	
Other Purchased Services	31,003	\$ 60,600	91,603	90,601	1,002
Supplies and Materials	2,500		2,500		2,500
Other Objects	500		500		500
Total Administrative Information Technology	<u>54,291</u>	<u>60,600</u>	<u>114,891</u>	<u>110,889</u>	<u>4,002</u>
Required Maintenance of School Facilities:					
Salaries	58,141		58,141	58,140	1
Cleaning, Repair and Maintenance Services	70,394	1,464	71,858	68,063	3,795
General Supplies	14,100	1,255	15,355	15,350	5
Total Required Maintenance of School Facilities	<u>142,635</u>	<u>2,719</u>	<u>145,354</u>	<u>141,553</u>	<u>3,801</u>
Custodial Services:					
Salaries	96,425	100	96,525	96,524	1
Salaries of Non-Instructional Aides	7,200		7,200		7,200
Purchased Professional and Technical Services	1,350	2,900	4,250	4,236	14
Cleaning, Repair, and Maintenance Services	2,250	795	3,045	3,042	3
Other Purchased Property Services	4,900	(395)	4,505	3,551	954
Insurance	33,686	630	34,316	34,313	3
Miscellaneous Purchased Services	700	4,205	4,905	1,810	3,095

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Custodial Services (Cont'd):					
General Supplies	\$ 15,255	\$ 2,380	\$ 17,635	\$ 12,850	\$ 4,785
Energy (Electricity)	78,000	(18,135)	59,865	52,927	6,938
Energy (Oil)	80,000	(35,220)	44,780	44,670	110
Energy (Gasoline)	1,243		1,243	747	496
Other Objects	1,035		1,035	717	318
Total Custodial Services	<u>322,044</u>	<u>(42,740)</u>	<u>279,304</u>	<u>255,387</u>	<u>23,917</u>
Care and Upkeep of Grounds:					
Cleaning, Repair, and Maintenance Services	8,025	(2,600)	5,425	5,424	1
General Supplies	750	3,800	4,550	4,332	218
Total Care and Upkeep of Grounds	<u>8,775</u>	<u>1,200</u>	<u>9,975</u>	<u>9,756</u>	<u>219</u>
Security:					
Cleaning, Repair, and Maintenance Services	1,000	(100)	900		900
General Supplies	200	100	300	290	10
Total Security	<u>1,200</u>	<u></u>	<u>1,200</u>	<u>290</u>	<u>910</u>
Student Transportation Services:					
Contracted Services:					
Other than Between Home and School - Vendors	3,500	1,440	4,940	4,940	
Between Home and School - Joint Agreements	4,654	9,800	14,454	14,309	145
Special Education - Joint Agreements	141,821	(13,110)	128,711	92,238	36,473
Aid in Lieu of Payments - Nonpublic Students	7,956	(1,770)	6,186	2,475	3,711
Aid in Lieu of Payments - Charter Schools	884	1,770	2,654	2,652	2
Aid in Lieu of Payments - Choice Schools	17,680	(9,400)	8,280	2,652	5,628
Total Student Transportation Services	<u>176,495</u>	<u>(11,270)</u>	<u>165,225</u>	<u>119,266</u>	<u>45,959</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CURRENT EXPENSE					
Unallocated Benefits :					
Social Security Contributions	\$ 62,044	\$ (1,532)	\$ 60,512	\$ 57,736	\$ 2,776
Other Retirement Contributions - PERS	44,034	(1,000)	43,034	43,033	1
Other Retirement Contributions - Regular	4,200	1,200	5,400	4,934	466
Unemployment Compensation	16,000	(750)	15,250	13,923	1,327
Workmen's Compensation	29,789		29,789	29,527	262
Health Benefits	750,257	(95,995)	654,262	628,781	25,481
Tuition Reimbursement	12,490		12,490	7,470	5,020
Other Employee Benefits	26,594	3,947	30,541	30,541	
Total Unallocated Benefits	<u>945,408</u>	<u>(94,130)</u>	<u>851,278</u>	<u>815,945</u>	<u>35,333</u>
On-Behalf Contributions:					
On-Behalf TPAF Contributions (non-budgeted)				101,775	(101,775)
On-Behalf Post Retirement Contributions (non-budgeted)				161,567	(161,567)
Reimbursed TPAF Social Security Contributions (non-budgeted)				165,837	(165,837)
Total On-Behalf Contributions				<u>429,179</u>	<u>(429,179)</u>
Total Personal Services - Employee Benefits	<u>945,408</u>	<u>(94,130)</u>	<u>851,278</u>	<u>1,245,124</u>	<u>(393,846)</u>
Total Undistributed Expenses	<u>3,427,519</u>	<u>(95,496)</u>	<u>3,332,023</u>	<u>3,599,622</u>	<u>(267,599.00)</u>
TOTAL GENERAL CURRENT EXPENSE	<u>5,489,258</u>	<u>(21,050)</u>	<u>5,468,208</u>	<u>5,676,704</u>	<u>(208,496)</u>
CAPITAL OUTLAY					
Equipment:					
Regular Programs - Instruction:					
Grades 1-5	2,200		2,200	2,090	110
Undistributed Expenditures:					
Care and Upkeep of Grounds	9,940		9,940	9,939	1
Total Equipment	<u>12,140</u>		<u>12,140</u>	<u>12,029</u>	<u>111</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
EXPENDITURES:					
CAPITAL OUTLAY					
Facilities Acquisition and Construction Services:					
Lease Purchase Agreements - Principal	\$ 30,039		\$ 30,039	\$ 30,038	\$ 1
Assessment for Debt Service on SDA Funding	34,397		34,397	34,397	
Total Facilities Acquisition and Construction Services	<u>64,436</u>		<u>64,436</u>	<u>64,435</u>	<u>1</u>
TOTAL CAPITAL OUTLAY	<u>76,576</u>		<u>76,576</u>	<u>76,464</u>	<u>112</u>
Transfer of Funds to Charter Schools	<u>23,829</u>	\$ 21,050	<u>44,879</u>	<u>44,873</u>	<u>6</u>
TOTAL EXPENDITURES	<u>5,589,663</u>		<u>5,589,663</u>	<u>5,798,041</u>	<u>(208,378)</u>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(234,149)		(234,149)	78,717	312,866
Other Financing Sources/(Uses):					
Transfers from Capital Projects Fund - Interest Earned				7	7
Operating Transfer Out - Capital Projects Fund - Capital Reserve		(251,340)	(251,340)	(251,340)	
Total Other Financing Sources/(Uses)		<u>(251,340)</u>	<u>(251,340)</u>	<u>(251,333)</u>	<u>7</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(234,149)	(251,340)	(485,489)	(172,616)	312,873
Fund Balance, July 1	<u>941,057</u>		<u>941,057</u>	<u>941,057</u>	
Fund Balance, June 30	<u>\$ 706,908</u>	<u>\$ (251,340)</u>	<u>\$ 455,568</u>	<u>\$ 768,441</u>	<u>\$ 312,873</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Recapitulation:					
Restricted:					
Capital Reserve				\$ 54,152	
Excess Surplus				199,738	
Excess Surplus - Designated for Subsequent Year's Expenditures				164,685	
Assigned:					
Year End Encumbrances				78,917	
Unassigned				<u>270,949</u>	
				768,441	
Reconciliation to Governmental Funds Statement (GAAP):					
Last Two State Aid Payments not Recognized on GAAP basis				<u>(147,762)</u>	
Fund Balance per Governmental Funds (GAAP)				<u><u>\$ 620,679</u></u>	

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Federal Sources	\$ 106,025	\$ 37,846	\$ 143,871	\$ 138,861	\$ (5,010)
Total Revenues	<u>106,025</u>	<u>37,846</u>	<u>143,871</u>	<u>138,861</u>	<u>(5,010)</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	9,406	1,384	10,790	10,503	287
Tuition	70,400	23,874	94,274	94,274	
General Supplies	26,196	(2,941)	23,255	21,425	1,830
Total Instruction	<u>106,002</u>	<u>22,317</u>	<u>128,319</u>	<u>126,202</u>	<u>2,117</u>
Support Services:					
Personal Services - Employee Benefits	23	(23)			
Purchased Professional and Technical Services		7,404	7,404	4,971	2,433
Other Purchased Services		6,984	6,984	6,902	82
Supplies and Materials		1,164	1,164	786	378
Total Support Services	<u>23</u>	<u>15,529</u>	<u>15,552</u>	<u>12,659</u>	<u>2,893</u>
Total Expenditures	<u>106,025</u>	<u>37,846</u>	<u>143,871</u>	<u>138,861</u>	<u>5,010</u>
Excess/(Deficit) of Revenue Over/(Under) Expenditures	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

Note A - Explanation of Differences between Budgetary Inflows and Outflows and
GAAP Revenues and Expenditures

	General Fund	Special Revenue Fund
	<u> </u>	<u> </u>
Sources/Inflows of Resources		
Actual Amounts (Budgetary Basis) "Revenue" from the Budgetary Comparison Schedule	\$ 5,876,758	\$ 138,861
Difference - Budget to GAAP:		
Prior Year State Aid Payments Recognized for GAAP Purposes, Not Recognized for Budgetary Statements	147,062	
Current Year State Aid Payments Recognized for Budgetary Purposes, not Recognized for GAAP Statements	<u>(147,762)</u>	
Total Revenues as Reported on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.	<u>\$ 5,876,058</u>	<u>\$ 138,861</u>
Uses/Outflows of Resources:		
Actual Amounts (Budgetary Basis) "Total Outflows" from the Budgetary Comparison Schedule	<u>\$ 5,798,041</u>	<u>\$ 138,861</u>
Total Expenditures as Reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	<u>\$ 5,798,041</u>	<u>\$ 138,861</u>

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue and debt service funds. The budget for the fiscal year ended June 30, 2015, was submitted to the County office and approved by a vote by the board of education. Budgets are prepared using the modified accrual basis of accounting. The legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest most specific level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. All budget amendments/transfers must be made by School Board resolution. All budgeting amounts presented in the accompanying supplementary information reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year).

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds, there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles, with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

The General Fund budgetary revenue differs from GAAP revenue due to a difference in the recognition of the last two state aid payments for the current year. Since the State is recording the last two state aid payments in the subsequent fiscal year, the District cannot recognize these payments on the GAAP financial statements.

SCHOOL LEVEL SCHEDULES
(NOT APPLICABLE)

SPECIAL REVENUE FUND

BOROUGH OF STANHOPE SCHOOL DISTRICT
SPECIAL REVENUE FUND
COMBINING SCHEDULE OF PROGRAM REVENUE AND EXPENDITURES - BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>No Child Left Behind</u>		<u>I.D.E.A., Part B</u>		<u>Totals</u>
	<u>Title I</u>	<u>Title IIA</u>	<u>Basic</u>	<u>Preschool</u>	
REVENUES:					
Federal Sources	\$ 24,009	\$ 8,817	\$ 100,893	\$ 5,142	\$ 138,861
Total Revenues	<u>24,009</u>	<u>8,817</u>	<u>100,893</u>	<u>5,142</u>	<u>138,861</u>
EXPENDITURES:					
Instruction:					
Salaries of Teachers	5,000	1,624		3,879	10,503
Tuition			94,274		94,274
General Supplies	16,009		4,939	477	21,425
Total Instruction	<u>21,009</u>	<u>1,624</u>	<u>99,213</u>	<u>4,356</u>	<u>126,202</u>
Support Services:					
Purchased Professional and Technical Services	3,000	1,971			4,971
Other Purchased Services		5,222	1,680		6,902
Supplies and Materials				786	786
Total Support Services	<u>3,000</u>	<u>7,193</u>	<u>1,680</u>	<u>786</u>	<u>12,659</u>
Total Expenditures	<u>\$ 24,009</u>	<u>\$ 8,817</u>	<u>\$ 100,893</u>	<u>\$ 5,142</u>	<u>\$ 138,861</u>

CAPITAL PROJECTS FUND

BOROUGH OF STANHOPE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SUMMARY SCHEDULE OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Revenue and Other Financing Sources:	
State Sources - EDA Grant	\$ 367,560
Lease Purchase Agreement Proceeds	300,000
Transfer from Capital Reserve	251,340
Interest on Investments	7
	7
Total Revenue and Other Financing Sources	918,907
Expenditures and Other Financing Uses:	
Legal Services	3,682
Purchased Professional and Technical Services	48,279
Construction Services	382,212
Other Objects	549
Transfer Out to General Fund	7
	7
Total Expenditures and Other Financing Uses	434,729
Excess of Revenue and Other Financing Sources Over Expenditures and Other Financing Uses	484,178
Fund Balance - Beginning of Year	-0-
Fund Balance - End of Year	\$ 484,178
<u>Recapitulation:</u>	
Committed	\$ 484,178
Total Fund Balance - Budgetary Basis	484,178
Reconciliation to Governmental Funds Statements (GAAP):	
SDA Grant Receivable not Recognized on the GAAP Basis	(220,536)
Fund Balance per Governmental Funds (GAAP)	\$ 263,642

BOROUGH OF STANHOPE SCHOOL DISTRICT
CAPITAL PROJECTS FUND
SCHEDULE OF PROJECT REVENUES, EXPENDITURES, PROJECT BALANCE AND PROJECT STATUS -
BUDGETARY BASIS
PARTIAL ROOF REPLACEMENT PROJECT
FROM INCEPTION AND FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Prior Periods</u>	<u>Current Year</u>	<u>Totals</u>	<u>Project Authorization</u>
Revenue and Other Financing Sources:				
State Sources - SDA Grant		\$ 367,560	\$ 367,560	\$ 367,560
Transfer from Capital Reserve		251,340	251,340	251,340
Lease Purchase Agreement		300,000	300,000	300,000
		<u>918,900</u>	<u>918,900</u>	<u>918,900</u>
Total Revenue and Other Financing Sources				
		<u>918,900</u>	<u>918,900</u>	<u>918,900</u>
Expenditures:				
Legal Services		3,682	3,682	3,682
Purchased Professional and Technical Services		48,279	48,279	62,490
Construction Services		382,212	382,212	852,179
Other Objects		549	549	549
		<u>434,722</u>	<u>434,722</u>	<u>918,900</u>
Total Expenditures				
		<u>434,722</u>	<u>434,722</u>	<u>918,900</u>
Excess of Revenue and Other Financing Sources Over Expenditures				
	<u>\$ -0-</u>	<u>\$ 484,178</u>	<u>\$ 484,178</u>	<u>\$ -0-</u>

Additional Project Information:

Project Numbers	SDA5030-050-14-1001-G04
Grant Date	1/6/14
Bond Authorization Date	N/A
Bonds Authorized	\$ -0-
Bonds Issued	\$ -0-
Original Authorized Cost	\$ 918,900
Percentage Increase over Original Authorized Cost	0.00%
Percentage Completion	47.31%
Original Target Completion Date	9/2015
Revised Target Completion Date	9/2015

PROPRIETARY FUNDS

BOROUGH OF STANHOPE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
JUNE 30, 2015

ASSETS:

Current Assets:

Cash and Cash Equivalents	\$ 15,933
Intergovernmental Accounts Receivable:	
State	62
Federal	1,473
Inventories	1,286

Total Current Assets

 18,754

Non-Current Assets:

Capital Assets	26,600
Less: Accumulated Depreciation	(16,978)

Total Non-Current Assets

 9,622

Total Assets

 28,376
LIABILITIES:

Current Liabilities:

Interfund Payable	4,871
Prepaid Sales	1,166
Unearned Revenue	1,464

Total Liabilities

 7,501
NET POSITION:

Net Investment in Capital Assets

9,622

Unrestricted

 11,253

Total Net Position

 \$ 20,875

Exhibit G-2

BOROUGH OF STANHOPE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Operating Revenue:		
Local Sources:		
Daily Sales - Reimbursable Programs	\$	44,795
Daily Sales - Non-Reimbursable Programs		21,622
		<hr/>
Total Operating Revenue		66,417
		<hr/>
Operating Expenses:		
Cost of Sales		39,498
Salaries, Benefits and Payroll Taxes		45,734
Supplies, Insurance and Other Costs		9,393
Management Fee		7,328
Depreciation Expense		1,710
		<hr/>
Total Operating Expenses		103,663
		<hr/>
Operating Loss		(37,246)
		<hr/>
Non-Operating Revenue:		
Local Sources:		
Interest Income		24
State Sources:		
State School Lunch Program		1,031
Federal Sources:		
National School Lunch Program		22,313
Food Distribution Program		7,176
		<hr/>
Total Non-Operating Income		30,544
		<hr/>
Change in Net Position		(6,702)
		<hr/>
Net Position - Beginning of Year		27,577
		<hr/>
Net Position - End of Year	\$	20,875
		<hr/> <hr/>

BOROUGH OF STANHOPE SCHOOL DISTRICT
FOOD SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Cash Flows from Operating Activities:	
Receipts from Customers	\$ 66,721
Payments to Employees	(45,734)
Payments to Food Service Contractor	(63,941)
	<hr/>
Net Cash Used for Operating Activities	(42,954)
Cash Flows from Investing Activities:	
Interest Income	24
	<hr/>
Net Cash Provided by Investing Activities	24
Cash Flows by Noncapital Financing Activities:	
Interfund Advanced - General Fund	217
State Sources	1,047
Federal Sources	22,601
	<hr/>
Net Cash Provided by Noncapital Financing Activities	23,865
Net Decrease in Cash and Cash Equivalents	(19,065)
Cash and Cash Equivalents, July 1	34,998
	<hr/>
Cash and Cash Equivalents, June 30	\$ 15,933
	<hr/> <hr/>
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:	
Operating Loss	\$ (37,246)
Adjustment to Reconcile Operating Loss to Net Cash Used for Operating Activities:	
Depreciation	1,710
Food Distribution Program	7,176
Changes in Assets and Liabilities:	
Increase in Prepaid Sales	304
Increase in Unearned Revenue	34
(Decrease) in Accounts Payable	(15,553)
Decrease in Inventory	621
	<hr/>
Net Cash Used for Operating Activities	\$ (42,954)
	<hr/> <hr/>

Noncash Investing, Capital and Financing Activities:

The Food Service Enterprise Fund Received U.S.D.A. Donated Commodities Through the Food Distribution Program Valued at \$7,210 and Utilized Commodities Valued at \$7,176.

FIDUCIARY FUNDS

BOROUGH OF STANHOPE SCHOOL DISTRICT
FIDUCIARY FUND
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015

	<u>Agency</u>		<u>Flexible Spending Trust</u>	<u>Totals</u>
	<u>Student Activity</u>	<u>Payroll</u>		
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 10,958	\$ 63,821	\$ 292	\$ 75,071
Total Assets	<u>\$ 10,958</u>	<u>\$ 63,821</u>	<u>\$ 292</u>	<u>75,071</u>
<u>LIABILITIES:</u>				
Interfund Payable - General Fund		\$ 30,451		\$ 30,451
Payroll Deductions and Withholdings		33,370		33,370
Due to Student Groups	\$ 10,958			10,958
Total Liabilities	<u>10,958</u>	<u>63,821</u>		<u>74,779</u>
<u>NET POSITION:</u>				
Held in Trust for Flexible Spending Claims			\$ 292	292
Total Net Position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 292</u>	<u>\$ 292</u>

Exhibit H-2

BOROUGH OF STANHOPE SCHOOL DISTRICT
FIDUCIARY FUND
STATEMENT OF CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Flexible Spending Trust</u>
ADDITIONS:	
Contributions:	
Plan Members	\$ 1,363
Total Additions	<u>1,363</u>
DEDUCTIONS:	
Flexible Spending Claims	<u>1,160</u>
Total Deductions	<u>1,160</u>
Change in Net Position	203
Net Position - Beginning of the Year	<u>\$ 89</u>
Net Position - End of the Year	<u><u>\$ 292</u></u>

Exhibit H-3

BOROUGH OF STANHOPE SCHOOL DISTRICT
STUDENT ACTIVITY AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 13,096	\$ 36,277	\$ 38,415	\$ 10,958
Total Assets	<u>\$ 13,096</u>	<u>\$ 36,277</u>	<u>\$ 38,415</u>	<u>\$ 10,958</u>
 <u>LIABILITIES:</u>				
Liabilities:				
Due to Student Groups	\$ 13,096	\$ 36,277	38,415	\$ 10,958
Total Liabilities	<u>\$ 13,096</u>	<u>\$ 36,277</u>	<u>\$ 38,415</u>	<u>\$ 10,958</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
PAYROLL AGENCY FUND
SCHEDULE OF RECEIPTS AND DISBURSEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<u>ASSETS:</u>				
Cash and Cash Equivalents	\$ 64,949	\$ 3,349,857	\$ 3,350,985	\$ 63,821
Total Assets	<u>\$ 64,949</u>	<u>\$ 3,349,857</u>	<u>\$ 3,350,985</u>	<u>\$ 63,821</u>
 <u>LIABILITIES:</u>				
Interfund Payable - General Fund	\$ 31,836	\$ 30,451	\$ 31,836	\$ 30,451
Payroll Deductions and Withholdings	<u>33,113</u>	<u>3,319,406</u>	<u>3,319,149</u>	<u>33,370</u>
Total Liabilities	<u>\$ 64,949</u>	<u>\$ 3,349,857</u>	<u>\$ 3,350,985</u>	<u>\$ 63,821</u>

LONG-TERM DEBT

BOROUGH OF STANHOPE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF SERIAL BONDS PAYABLE
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Purpose	Date of Issue	Original Issue	Maturities of Bonds Outstanding June 30, 2015		Interest Rate	Balance	Matured	Balance
			Date	Amount		July 1, 2014		June 30, 2015
Refunding Bonds	6/12/2012	\$ 2,805,000	4/15/16	\$ 255,000	2.500%	\$ 2,540,000	\$ 245,000	\$ 2,295,000
			4/15/17	260,000	3.000%			
			4/15/18	270,000	3.000%			
			4/15/19	280,000	4.000%			
			4/15/20	295,000	4.000%			
			4/15/21	305,000	4.000%			
			4/15/22	315,000	4.000%			
			4/15/23	315,000	4.000%			
						<u>\$ 2,540,000</u>	<u>\$ 245,000</u>	<u>\$ 2,295,000</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
LONG-TERM DEBT
SCHEDULE OF OBLIGATIONS UNDER CAPITAL LEASES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance July 1, 2014</u>	<u>Issued</u>	<u>Matured</u>	<u>Balance June 30, 2015</u>
Windows Replacement Project	4.04%	\$ 199,000	\$ 60,090		\$ 29,438	\$ 30,652
Technology Equipment	1.80%	159,851	159,851		30,873	128,978
Partial Roof Replacement	2.81%	300,000		\$ 300,000		300,000
			<u>\$ 219,941</u>	<u>\$ 300,000</u>	<u>\$ 60,311</u>	<u>\$ 459,630</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(UNAUDITED)

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
REVENUES:					
Local Sources:					
Local Tax Levy	\$ 319,182		\$ 319,182	\$ 319,182	
Total Revenues	<u>319,182</u>		<u>319,182</u>	<u>319,182</u>	
EXPENDITURES:					
Regular Debt Service:					
Interest on Bonds	88,800		88,800	88,800	
Redemption of Principal	245,000		245,000	245,000	
Total Regular Debt Service	<u>333,800</u>		<u>333,800</u>	<u>333,800</u>	
Total Expenditures	<u>333,800</u>		<u>333,800</u>	<u>333,800</u>	
Deficit of Revenues Under Expenditures	(14,618)		(14,618)	(14,618)	
Fund Balance, July 1	<u>14,618</u>		<u>14,618</u>	<u>14,618</u>	
Fund Balance, June 30	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

STATISTICAL SECTION
(UNAUDITED)

STATISTICAL SECTION
(UNAUDITED)

This part of the District's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the District's overall financial health.

Contents

Exhibit

Financial Trends

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

J-1 thru J-5

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the District's ability to generate its property taxes.

J-6 thru J-9

Debt Capacity

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

J-10 thru J-13

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place and to help make comparisons over time and with other governments.

J-14 thru J-15

Operating Information

These schedules contain information about the District's operations and resources to help the reader understand how the District's financial information relates to the services the District provides and the activities it performs.

J-16 thru J-20

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

BOROUGH OF STANHOPE SCHOOL DISTRICT
NET POSITION BY COMPONENT,
LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014*	2015
Governmental Activities										
Net Investment in										
Capital Assets	\$ 9,054,674	\$ 10,143,495	\$ 10,207,238	\$ 3,040,587	\$ 3,066,453	\$ 2,903,588	\$ 3,165,135	\$ 3,489,681	\$ 3,444,978	\$ 3,729,956
Restricted	1,575,513	704,089	419,773	341,160	87,002	355,530	468,084	490,825	601,146	682,217
Unrestricted/(Deficit)	(49,619)	133,768	324,225	270,747	(3,169)	119,310	157,952	221,195	(637,439)	(661,743)
Total Governmental Activities Net Position	<u>\$ 10,580,568</u>	<u>\$ 10,981,352</u>	<u>\$ 10,951,236</u>	<u>\$ 3,652,494</u>	<u>\$ 3,150,286</u>	<u>\$ 3,378,428</u>	<u>\$ 3,791,171</u>	<u>\$ 4,201,701</u>	<u>\$ 3,408,685</u>	<u>\$ 3,750,430</u>
Business-type Activities										
Net Investment in Capital Assets				\$ 10,862	\$ 9,818	\$ 8,775	\$ 14,752	\$ 13,042	\$ 11,332	\$ 9,622
Unrestricted	\$ 16,714	\$ 29,269	\$ 32,382	28,890	22,457	27,047	20,462	17,992	16,245	11,253
Total Business-type Activities Net Position	<u>\$ 16,714</u>	<u>\$ 29,269</u>	<u>\$ 32,382</u>	<u>\$ 39,752</u>	<u>\$ 32,275</u>	<u>\$ 35,822</u>	<u>\$ 35,214</u>	<u>\$ 31,034</u>	<u>\$ 27,577</u>	<u>\$ 20,875</u>
District-wide										
Net Investment in Capital Assets	\$ 9,054,674	\$ 10,143,495	\$ 10,207,238	\$ 3,051,449	\$ 3,076,271	\$ 2,912,363	\$ 3,179,887	\$ 3,502,723	\$ 3,456,310	\$ 3,739,578
Restricted	1,575,513	704,089	419,773	341,160	87,002	355,530	468,084	490,825	601,146	682,217
Unrestricted/(Deficit)	(32,905)	163,037	356,607	299,637	19,288	146,357	178,414	239,187	(621,194)	(650,490)
Total District Net Position	<u>\$ 10,597,282</u>	<u>\$ 11,010,621</u>	<u>\$ 10,983,618</u>	<u>\$ 3,692,246</u>	<u>\$ 3,182,561</u>	<u>\$ 3,414,250</u>	<u>\$ 3,826,385</u>	<u>\$ 4,232,735</u>	<u>\$ 3,436,262</u>	<u>\$ 3,771,305</u>

* Restated

Source: School District Financial Reports

BOROUGH OF STANHOPE SCHOOL DISTRICT
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year End June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities										
Instruction										
Regular	\$ 2,306,265	\$ 2,274,509	\$ 2,720,650	\$ 2,175,090	\$ 2,248,582	\$ 1,977,670	\$ 2,060,556	\$ 2,086,364	\$ 2,191,565	\$ 2,351,500
Special Education	669,588	713,475	721,142	598,050	939,636	1,004,839	833,890	803,698	847,698	847,673
Other Special Education				220,275	122,392	109,874	104,488	91,747	79,374	90,696
Other Instruction	49,695	93,886		52,916	64,125	390	33,326	22,984	33,742	35,539
Support Services:										
Tuition	183,431	167,547	349,567	717,773	625,018	292,257	237,864	297,299	363,287	366,406
Student & Instruction Related Services	635,207	513,588	616,143	539,120	627,464	489,702	671,503	842,460	960,171	1,175,469
General Administrative Services			356,816	256,551	294,556	412,143	398,635	349,117	298,575	312,004
School Administrative Services	177,781	214,226	190,826	163,209	183,637	117,036	138,928	151,265	127,806	194,638
General and Business Administrative Services	461,493	513,305								
Central Services			179,247	162,182	196,873	187,071	251,784	253,049	233,931	225,575
Administrative Information Technology			61,183	121,332	116,925	50,316	62,460	91,912	122,769	122,950
Plant Operations and Maintenance	413,681	452,820	460,099	308,195	331,466	332,052	419,827	451,059	479,072	476,473
Pupil Transportation	50,549	61,733	110,418	159,181	137,515	125,763	109,544	111,904	146,818	119,266
Transfer of Funds to Charter School	21,095	76,836	34,439	44,745	45,299	51,218	47,882	61,370	25,384	44,873
Interest on Long-term Debt	170,674	164,034	144,439	162,511	142,541	135,003	127,236	85,725	103,467	97,441
Capital Outlay			14,292	4,386	1,000	95,238	61,105			
Unallocated Depreciation					152,170	152,170	156,274	158,202	160,131	160,131
Total Governmental Activities Expenses	5,139,459	5,245,959	5,959,261	5,685,516	6,229,199	5,532,742	5,715,302	5,858,155	6,173,790	6,620,634
Business-type Activities:										
Food Service	122,292	110,085	106,079	117,448	111,361	102,761	112,760	104,931	111,939	103,663
Total Business-type Activities Expense	122,292	110,085	106,079	117,448	111,361	102,761	112,760	104,931	111,939	103,663
Total District Expenses	\$ 5,261,751	\$ 5,356,044	\$ 6,065,340	\$ 5,802,964	\$ 6,340,560	\$ 5,635,503	\$ 5,828,062	\$ 5,963,086	\$ 6,285,729	\$ 6,724,297
Program Revenues										
Governmental Activities:										
Operating Grants and Contributions	\$ 1,096,188	\$ 1,154,111	\$ 1,142,951	\$ 719,089	\$ 781,492	\$ 743,390	\$ 841,490	\$ 824,339	\$ 785,976	\$ 1,313,710
Capital Grants and Contributions										147,024
Total Governmental Activities Program Revenues	1,096,188	1,154,111	1,142,951	719,089	781,492	743,390	841,490	824,339	785,976	1,460,734
Business-type Activities:										
Charges for Services										
Food Service	86,950	78,148	83,449	78,550	73,769	75,235	75,290	69,099	74,963	66,417
Operating Grants and Contributions	24,044	25,964	25,197	26,754	30,064	26,539	29,148	31,630	33,493	30,520
Total Business-type Activities Program Revenues	110,994	104,112	108,646	105,304	103,833	101,774	104,438	100,729	108,456	96,937
Total District Program Revenues	\$ 1,207,182	\$ 1,258,223	\$ 1,251,597	\$ 824,393	\$ 885,325	\$ 845,164	\$ 945,928	\$ 925,068	\$ 894,432	\$ 1,557,671

BOROUGH OF STANHOPE SCHOOL DISTRICT
CHANGES IN NET POSITION, LAST TEN FISCAL YEARS
ACCRUAL BASIS OF ACCOUNTING
UNAUDITED
(Continued)

	Fiscal Year End June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expense)/Revenue										
Governmental Activities	\$ (4,043,271)	\$ (4,091,848)	\$ (4,816,310)	\$ (4,966,427)	\$ (5,447,707)	\$ (4,789,352)	\$ (4,873,812)	\$ (5,033,816)	\$ (5,387,814)	\$ (5,159,900)
Business-type Activities	(11,298)	(5,973)	2,567	(12,144)	(7,528)	(987)	(8,322)	(4,202)	(3,483)	(6,726)
Total District-wide Net Expense	<u>\$ (4,054,569)</u>	<u>\$ (4,097,821)</u>	<u>\$ (4,813,743)</u>	<u>\$ (4,978,571)</u>	<u>\$ (5,455,235)</u>	<u>\$ (4,790,339)</u>	<u>\$ (4,882,134)</u>	<u>\$ (5,038,018)</u>	<u>\$ (5,391,297)</u>	<u>\$ (5,166,626)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes Levied for General Purposes, Net	3,068,416	3,097,786	3,097,786	3,221,697	\$ 3,350,565	\$ 3,448,588	\$ 3,517,560	\$ 3,587,911	\$ 3,705,332	\$ 3,802,128
Taxes Levied for Debt Service	176,367	186,445	348,542	346,416	344,104	341,604	343,916	345,854	275,488	319,182
Federal and State aid not restricted	1,121,096	1,110,696	1,156,954	1,297,663	1,143,658	1,168,958	1,218,516	1,210,406	1,263,454	1,274,789
Tuition						20,826	27,764	36,343	57,312	33,140
Investment Earnings	36,250	39,216	33,185	15,724	3,418	1,233	1,096	973	1,182	1,285
Miscellaneous Income	60,263	103,219	150,273	57,021	62,876	36,285	77,893	262,859	162,175	71,121
Reappraisal of Assets							99,810			
Transfers	(19,358)	(18,528)	(546)	(8,652)						
Adjustment to Local Tax Levy				(26,790)						
Cancellation of Prior Year Accounts Payable					40,878					
Total Governmental Activities	<u>4,443,034</u>	<u>4,518,834</u>	<u>4,786,194</u>	<u>4,903,079</u>	<u>4,945,499</u>	<u>5,017,494</u>	<u>5,286,555</u>	<u>5,444,346</u>	<u>5,464,943</u>	<u>5,501,645</u>
Business-type Activities:										
Investment Earnings						40	27	22	26	24
Transfers	19,357	18,528	546	8,652						
Cancellation of Interfund Payable - General Fund						4,494				
Reappraisal of Assets							7,687			
Total Business-type Activities	<u>19,357</u>	<u>18,528</u>	<u>546</u>	<u>8,652</u>	<u>4,534</u>	<u>7,114</u>	<u>22</u>	<u>26</u>	<u>26</u>	<u>24</u>
Total District-wide	<u>\$ 4,462,391</u>	<u>\$ 4,537,362</u>	<u>\$ 4,786,740</u>	<u>\$ 4,911,731</u>	<u>\$ 4,945,499</u>	<u>\$ 5,022,028</u>	<u>\$ 5,294,269</u>	<u>\$ 5,444,368</u>	<u>\$ 5,464,969</u>	<u>\$ 5,501,669</u>
Change in Net Position										
Governmental Activities	\$ 399,763	\$ 426,986	\$ (30,116)	\$ (63,348)	\$ (502,208)	\$ 228,142	\$ 412,743	\$ 410,530	\$ 77,129	\$ 341,745
Business-type Activities	8,059	12,555	3,113	(3,492)	(7,528)	3,547	(608)	(4,180)	(3,457)	(6,702)
Total District	<u>\$ 407,822</u>	<u>\$ 439,541</u>	<u>\$ (27,003)</u>	<u>\$ (66,840)</u>	<u>\$ (509,736)</u>	<u>\$ 231,689</u>	<u>\$ 412,135</u>	<u>\$ 406,350</u>	<u>\$ 73,672</u>	<u>\$ 335,043</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved/Restricted	\$ 716,479	\$ 551,750	\$ 419,772	\$ 341,159	\$ 87,001	\$ 188,417	\$ 358,549	\$ 416,895	\$ 586,528	\$ 418,575
Assigned						35,719	97,593	48,599	67,583	78,917
Unassigned						136,888	128,736	130,258	139,884	123,187
Unreserved	<u>71,527</u>	<u>192,998</u>	<u>389,708</u>	<u>342,010</u>	<u>81,376</u>					
Total General Fund	<u>\$ 788,006</u>	<u>\$ 744,748</u>	<u>\$ 809,480</u>	<u>\$ 683,169</u>	<u>\$ 168,377</u>	<u>\$ 361,024</u>	<u>\$ 584,878</u>	<u>\$ 595,752</u>	<u>\$ 793,995</u>	<u>\$ 620,679</u>
All Other Governmental Funds										
Reserved/Restricted	\$ 5,000					\$ 79,599	\$ 79,599	\$ 73,930	\$ 14,618	
Committed						87,514	29,936			\$ 263,642
Unreserved/(Deficit), Reported in:										
Special Revenue Fund	(170)	\$ (170)								
Capital Projects Fund	862,476	(144,402)								
Debt Service Fund	1	1	\$ 1	\$ 1	\$ 1					
Total All Other Governmental Funds/(Deficit)	<u>\$ 867,307</u>	<u>\$ (144,571)</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 167,113</u>	<u>\$ 109,535</u>	<u>\$ 73,930</u>	<u>\$ 14,618</u>	<u>\$ 263,642</u>
Total Governmental Funds	<u>\$ 1,655,313</u>	<u>\$ 600,177</u>	<u>\$ 809,481</u>	<u>\$ 683,170</u>	<u>\$ 168,378</u>	<u>\$ 528,137</u>	<u>\$ 694,413</u>	<u>\$ 669,682</u>	<u>\$ 808,613</u>	<u>\$ 884,321</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year End June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Tax Levy	\$ 3,415,457	\$ 3,448,265	\$ 3,446,328	\$ 3,568,113	\$ 3,694,669	\$ 3,790,192	\$ 3,861,476	\$ 3,933,765	\$ 3,980,820	\$ 4,121,310
Tuition Charges						20,826	27,764	36,343	57,312	33,140
Interest Earnings	36,250	39,215	33,185	15,724	3,418	1,233	1,096	973	1,182	1,278
Miscellaneous	61,263	103,219	150,273	57,021	62,876	36,285	77,893	114,776	162,175	71,128
State Sources	1,929,161	2,071,856	2,150,236	1,870,722	1,523,340	1,721,737	1,920,679	1,897,632	1,914,361	2,115,415
Federal Sources	116,449	28,918	149,669	146,030	401,810	190,611	139,327	137,113	135,069	138,861
Total Revenue	5,558,580	5,691,473	5,929,691	5,657,610	5,686,113	5,760,884	6,028,235	6,120,602	6,250,919	6,481,132
Expenditures										
Instruction										
Regular Instruction	1,600,308	1,587,767	1,794,935	1,473,563	1,540,172	1,422,069	1,472,680	1,581,036	1,482,962	1,553,724
Special Education Instruction	496,749	428,591	499,578	421,563	690,712	762,717	613,403	609,581	645,603	582,194
Other Special Instruction				156,594	83,195	78,897	83,631	70,201	58,125	56,880
Other Instruction	37,177	93,886	1,400	42,624	38,392	11,087	22,760	11,831	24,537	23,145
Support Services:										
Tuition	183,432	167,547	349,567	717,773	625,018	292,257	237,864	297,299	363,287	366,406
Student & Other Instruction Related Services	473,290	447,223	479,697	412,019	445,239	397,654	524,786	659,588	719,412	799,607
General Administrative Services			208,195	202,637	236,484	335,210	329,588	281,726	248,451	237,016
School Administrative Services	121,378	131,132	128,792	116,394	131,083	103,755	121,635	108,663	94,906	126,274
General & Business Administrative Services	353,550	386,327								
Central Services			132,354	122,446	139,999	139,810	188,697	189,170	187,750	188,054
Administrative Information Technology			53,285	101,858	107,918	50,316	62,460	67,684	97,208	110,889
Plant Operations and Maintenance	354,607	382,055	430,800	286,481	296,866	303,873	384,432	436,756	440,738	406,986
Pupil Transportation	47,591	58,775	107,460	156,223	137,515	125,763	109,544	111,904	146,818	119,266
Unallocated Benefits	1,155,908	1,231,243	1,466,445	1,142,757	1,378,787	1,088,022	1,128,265	1,172,873	1,161,831	1,245,124
Charter School	21,095	76,836	34,439	44,745	45,299	51,218	47,882	61,370	25,384	44,873
Capital Outlay	194,244	1,030,078	14,292	4,386	1,000	95,873	190,416	104,192	240,027	511,186
Debt Service:										
Principal	175,000	185,000	190,000	195,000	200,000	205,000	215,000	250,000	240,000	245,000
Interest and Other Charges	172,041	165,479	158,541	151,416	144,104	136,604	128,916	81,236	94,800	88,800
Total Expenditures	5,386,370	6,371,939	6,049,780	5,748,479	6,241,783	5,600,125	5,861,959	6,095,110	6,271,839	6,705,424
Excess/(Deficit) of Revenues										
Over/(Under) Expenditures	172,210	(680,466)	(120,089)	(90,869)	(555,670)	160,759	166,276	25,492	(20,920)	(224,292)

BOROUGH OF STANHOPE SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

	Fiscal Year End June 30,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Other Financing Sources/(Uses)										
Transfers in	\$ 10,540	\$ 17,304	\$ 144,401			\$ 32	\$ 16	\$ 59,312		
Transfers out	(29,898)	(35,832)	(144,947)	\$ (8,652)		(32)	(16)	(59,312)		
Lease Purchase Proceeds Returned								(50,223)		
School Refunding Bonds Issued								2,805,000		
School Bonds Defeased								(2,618,296)		
Bond Issuance Cost								(77,621)		
Deferred Bond Interest								(109,083)		
Adjustment to Local Tax Levy				(26,790)						
Cancellation of Prior Year Accounts Payable					\$ 40,878					
Lease Purchase Agreement Proceeds						199,000			\$ 159,851	\$ 300,000
Total Other Financing Sources/(Uses)	<u>(19,358)</u>	<u>(18,528)</u>	<u>(546)</u>	<u>(35,442)</u>	<u>40,878</u>	<u>199,000</u>		<u>(50,223)</u>	<u>159,851</u>	<u>300,000</u>
Net Change in Fund Balances	<u>\$ 152,852</u>	<u>\$ (698,994)</u>	<u>\$ (120,635)</u>	<u>\$ (126,311)</u>	<u>\$ (514,792)</u>	<u>\$ 359,759</u>	<u>\$ 166,276</u>	<u>\$ (24,731)</u>	<u>\$ 138,931</u>	<u>\$ 75,708</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>6.68%</u>	<u>6.56%</u>	<u>5.77%</u>	<u>6.03%</u>	<u>5.51%</u>	<u>6.21%</u>	<u>6.06%</u>	<u>5.53%</u>	<u>5.55%</u>	<u>5.39%</u>

BOROUGH OF STANHOPE SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
MODIFIED ACCRUAL BASIS OF ACCOUNTING
UNAUDITED

Fiscal Year Ending June 30,	Prior Year Refunds	Interest on Investments	Rental	Tuition Other LEA's	Miscellaneous	Total
2006	\$ 5,360	\$ 25,709	\$ 45,000		\$ 9,903	\$ 85,972
2007	39,543	21,911	59,000		4,675	125,129
2008	59,483	33,185	82,000		8,790	183,458
2009	29,432	15,724	14,000		13,589	72,745
2010	36,027	3,418			26,849	66,294
2011	7,979	1,201		\$ 20,826	28,306	58,312
2012	45,529	1,080		27,764	32,364	106,737
2013	8,806	972		36,343	105,970	152,091
2014	92,262	1,182		57,312	69,913	220,669
2015	13,042	1,278		33,140	58,079	105,539

Source: School District of the Borough of Stanhope records

BOROUGH OF STANHOPE SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
LAST TEN YEARS
UNAUDITED

Year Ended December 31,	Vacant Land	Residential	Farm	Commercial	Industrial	Apartment	Total Assessed Value	Public Utilities ^a	Net Valuation Taxable	Total Direct School Tax Rate ^b	Estimated Actual (County Equalized Value)
2005	\$ 1,834,700	\$ 152,249,100	\$ 18,200	\$ 9,866,000	\$ 3,111,800	\$ 1,572,500	\$ 168,652,300	\$ 279,699	\$ 168,931,999	\$ 1.98	\$ 322,730,949
2006 *	5,296,800	394,389,500	18,400	23,172,500	5,624,800	3,744,200	432,246,200	480,235	432,726,435	0.78	407,049,816
2007	5,067,100	394,458,500	18,400	23,181,600	5,624,800	3,744,200	432,094,600	476,760	432,571,360	0.80	410,232,962
2008	4,543,000	395,609,500	18,400	22,010,700	5,624,300	3,744,200	431,550,100	485,828	432,035,928	0.85	434,820,741
2009	4,699,100	396,061,600	18,100	23,357,300	5,624,300	3,744,200	433,504,600	498,534	434,003,134	0.73	415,990,735
2010 *	3,867,500	315,145,600	18,100	22,409,100	5,490,300	3,430,500	350,361,100	494,678	350,855,778	1.07	419,493,289
2011	3,967,300	314,060,400	18,100	22,753,200	5,194,500	3,429,700	349,423,200	392,954	349,816,154	1.09	386,336,984
2012	3,670,600	307,560,200	18,100	22,724,800	4,598,900	3,376,100	341,948,700	388,422	342,337,122	1.14	370,101,092
2013	3,311,700	261,262,300	18,100	22,274,800	4,445,500	3,191,900	294,504,300	880	294,505,180	1.34	323,968,901
2014	2,744,000	261,244,700	18,100	22,286,500	4,445,500	3,191,900	293,930,700	758	293,931,458	1.38	329,032,732

* Year in which revaluation became effective.

Note: Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation. Reassessment occurs when ordered by the County Board of Taxation

a Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

b Tax rates are per \$100 of assessed value.

Source: Municipal Tax Assessor

BOROUGH OF STANHOPE SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN YEARS
UNAUDITED
(Rate per \$100 of Assessed Value)

Year Ended December 31,	School District of the Borough of Stanhope Direct Rate			Overlapping Rates			Total Direct and Overlapping Tax Rate
	Basic Rate ^a	General Obligation Debt Service ^b	Total Direct	Municipality	Regional High School District	County	
2005	\$ 1.77	0.21	\$ 1.98	\$ 1.35	\$ 0.97	\$ 0.85	\$ 5.15
2006 *	0.68	0.10	0.78	0.56	0.41	0.36	2.11
2007	0.72	0.08	0.80	0.62	0.45	0.38	2.25
2008	0.77	0.08	0.85	0.69	0.47	0.39	2.40
2009	0.66	0.07	0.73	0.69	0.58	0.39	2.39
2010 *	0.97	0.09	1.07	0.87	0.60	0.49	3.03
2011	0.99	0.10	1.09	0.89	0.57	0.48	3.03
2012	1.04	0.10	1.14	0.93	0.55	0.50	3.13
2013	1.25	0.09	1.34	1.09	0.68	0.54	3.65
2014	1.27	0.11	1.38	1.10	0.69	0.59	3.76

* Year in which revaluation became effective.

Note:

NJSA 18A:7F-5d limits the amount that the district can submit for a general fund tax levy . The levy when added to other components of the district's net budget may not exceed the prebudget year net budget by more than the spending growth limitation.

a The district's basic tax rate is calculated from the A4F form which is submitted with the budget and the Net Valuation Taxable.

b Rates for debt service are based on each year's requirements.

Exhibit J-8

BOROUGH OF STANHOPE SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS,
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Taxpayer	2014		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
Stanhope Storage LLC	\$ 3,611,600	1	1.23%
US Mineral Products Co.	1,701,900	2	0.58%
Netcong Development, LLC	1,308,000	3	0.45%
Heritage Crossing, LLC	1,270,800	4	0.43%
Individual Taxpayer #1	1,140,000	5	0.39%
Individual Taxpayer #2	1,129,000	6	0.38%
AHS Enterprises, LLC	979,300	7	0.33%
Lakeland Bank	953,600	8	0.32%
Andrew Benjamin, LLC	851,500	9	0.29%
Normandy Lane, LLC	685,300	10	0.23%
Total	<u>\$ 13,631,000</u>		<u>4.64%</u>

Taxpayer	2005		
	Taxable Assessed Value	Rank	% of Total District Net Assessed Value
INFORMATION NOT AVAILABLE			

INFORMATION NOT AVAILABLE

Exhibit J-9

BOROUGH OF STANHOPE SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS,
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy ^a		Collections in Subsequent Years
		Amount	Percentage of Levy	
2006	\$ 3,415,457	\$ 3,415,457	100.00%	-0-
2007	3,448,265	3,448,265	100.00%	-0-
2008	3,446,328	3,446,328	100.00%	-0-
2009	3,568,113	3,568,113	100.00%	-0-
2010	3,694,669	3,694,669	100.00%	-0-
2011	3,790,192	3,790,192	100.00%	-0-
2012	3,861,476	3,861,476	100.00%	-0-
2013	3,933,765	3,933,765	100.00%	-0-
2014	3,980,820	3,980,820	100.00%	-0-
2015	4,121,310	4,121,310	100.00%	-0-

Source: School District of the Borough of Stanhope records including the Certificate and Report of School Taxes (A4F form)

- a. School taxes are collected by the Municipal Tax Collector. Under New Jersey State Statute, a municipality is required to remit to the school district the entire property tax balance, in the amount voted upon or certified prior to the end of the school year.

BOROUGH OF STANHOPE SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	Governmental Activities					Business-Type Activities Capital Leases	Total District	Percentage of Personal Income ^a	Per Capita ^a
	General Obligation Bonds	Certificates of Participation	Obligations Under Lease-Purchase Agreement	Bond Anticipation Notes (BANs)					
2006	\$ 4,259,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 4,259,000	2.76%	\$ 1,169.73	
2007	4,074,000	-0-	-0-	-0-	-0-	4,074,000	2.48%	1,126.97	
2008	3,884,000	-0-	-0-	-0-	-0-	3,884,000	2.24%	1,079.49	
2009	3,689,000	-0-	-0-	-0-	-0-	3,689,000	2.08%	1,031.31	
2010	3,489,000	-0-	-0-	-0-	-0-	3,489,000	2.06%	978.41	
2011	3,284,000	-0-	199,000	-0-	-0-	3,483,000	1.96%	965.35	
2012	3,069,000	-0-	162,289	-0-	-0-	3,231,289	1.81%	899.58	
2013	2,780,000	-0-	88,363	-0-	-0-	2,868,363	1.55%	808.45	
2014	2,540,000	-0-	219,941	-0-	-0-	2,759,941	1.48%	783.63	
2015	2,295,000	-0-	459,630	-0-	-0-	2,754,630	1.49%	788.39	

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

a See Exhibit J-14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Source: School District Financial Reports

BOROUGH OF STANHOPE SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Net Valuation ^a Taxable	Per Capita ^b
	General Obligation Bonds	Deductions	Net General Bonded Debt Outstanding		
2006	\$ 4,259,000	\$ -0-	\$ 4,259,000	2.67%	\$ 1,169.73
2007	4,074,000	-0-	4,074,000	2.54%	1,126.97
2008	3,884,000	-0-	3,884,000	2.40%	1,079.49
2009	3,689,000	-0-	3,689,000	2.25%	1,031.31
2010	3,489,000	-0-	3,489,000	2.12%	978.41
2011	3,284,000	-0-	3,284,000	1.97%	910.20
2012	3,069,000	-0-	3,069,000	1.82%	854.40
2013	2,780,000	-0-	2,780,000	0.64%	783.54
2014	2,540,000	-0-	2,540,000	0.59%	721.18
2015	2,295,000	-0-	2,295,000	0.53%	656.84

Note: Details regarding the district's outstanding debt can be found in the notes to the financial statements.

a See Exhibit J-6 for property tax data. This ratio is calculated using valuation data for the prior calendar year.

b See Exhibit J-14 for population data. This ratio is calculated using population for the prior calendar year.

BOROUGH OF STANHOPE SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF DECEMBER 31, 2014
UNAUDITED

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable ^a</u>	<u>Estimated Share of Overlapping Debt</u>
Debt Repaid With Property Taxes			
Borough of Stanhope	\$ 2,186,099	100.00%	\$ 2,186,099
Sussex County General Obligation Debt	68,100,067	1.85%	<u>1,262,168</u>
Subtotal, Overlapping Debt			3,448,267
Borough of Stanhope School District Direct Debt			<u>2,295,000</u>
Total Direct and Overlapping Debt			<u><u>\$ 5,743,267</u></u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Stanhope. This process recognizes that, when considering the District's ability to issue and repay long-term, the entire debt burden borne by the residents and businesses should be taken into account. However this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping unit.

a For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable equalized property values. Applicable percentages were estimated by determining the portion of another governmental unit's equalized property value that is within the district's boundaries and dividing it by each unit's total equalized property value.

Sources: Assessed value data used to estimate applicable percentages provided by the Sussex County Board of Taxation; debt outstanding data provided by each governmental unit.

BOROUGH OF STANHOPE SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

Legal Debt Margin Calculation for Fiscal Year 2015

	2012	\$ 350,357,275
	2013	328,394,625
	2014	328,818,324
		<u>\$ 1,007,570,224</u>
Average Equalized Valuation of Taxable Property		<u>\$ 335,856,741</u>
Debt Limit (3% of average equalization value)		\$ 10,075,702 ^a
Net Bonded School Debt		<u>2,295,000</u>
Legal Debt Margin		<u>\$ 7,780,702</u>

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt Limit	\$ 9,350,502	\$ 10,795,953	\$ 11,949,699	\$ 12,759,999	\$ 12,849,408	\$ 12,384,527	\$ 11,771,137	\$ 11,119,581	\$ 10,550,017	\$ 10,075,702
Total Net Debt Applicable to Limit	<u>4,434,000</u>	<u>4,074,000</u>	<u>3,884,000</u>	<u>3,689,000</u>	<u>3,489,000</u>	<u>3,284,000</u>	<u>3,069,000</u>	<u>2,780,000</u>	<u>2,540,000</u>	<u>2,295,000</u>
Legal Debt Margin	<u>\$ 4,916,502</u>	<u>\$ 6,721,953</u>	<u>\$ 8,065,699</u>	<u>\$ 9,070,999</u>	<u>\$ 9,360,408</u>	<u>\$ 9,100,527</u>	<u>\$ 8,702,137</u>	<u>\$ 8,339,581</u>	<u>\$ 8,010,017</u>	<u>\$ 7,780,702</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	47.42%	37.74%	32.50%	28.91%	27.15%	26.52%	26.07%	25.00%	24.08%	22.78%

^a Limit set by NJSA 18A:24-19 for a K through 12 district; other % limits would be applicable for other districts

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

BOROUGH OF STANHOPE SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED

Year	Population ^a	Borough of Stanhope Personal Income ^b	Sussex County Per Capita Personal Income ^c	Unemployment Rate ^d
2006	3,615	\$ 164,251,140	\$ 45,436	3.80%
2007	3,598	173,427,198	48,201	3.70%
2008	3,577	177,329,775	49,575	4.70%
2009	3,566	169,310,114	47,479	7.80%
2010	3,608	177,538,856	49,207	8.40%
2011	3,592	178,816,944	49,782	8.10%
2012	3,548	184,879,184	52,108	8.10%
2013	3,522	186,518,076	52,958 *	5.60%
2014	3,494 **	185,035,252 ***	52,958 *	5.90%
2015	3,494 **	185,035,252 ***	52,958 *	N/A

* - Latest Sussex County per capita personal income available (2013) was used for calculation purposes.

** - Latest population data available (July 1, 2014) was used for calculation purposes.

***-Latest personal income data available (2013) was used for calculation purposes.

N/A - Information not available

Source:

^a Population information provided by the NJ Dept of Labor and Workforce Development

^b Personal income has been estimated based upon the municipal population and per capita personal income presented

^c Per capita personal income by municipality estimated based upon the 2000 Census published by the US Bureau of Economic Analysis.

^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

Exhibit J-15

BOROUGH OF STANHOPE SCHOOL DISTRICT
PRINCIPAL EMPLOYERS, COUNTY OF SUSSEX
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED

Employer	2014		
	Employees	Rank	Percentage of Total Employment
Crystal Springs Golf and Spa Resort	2,000	1	N/A
Newton Memorial Hospital	1,200	2	N/A
Selective Insurance	900	3	N/A
County of Sussex	830	4	N/A
Mountain Creek Resort	800	5	N/A
Ames Rubber Corp	445	6	N/A
Shop Rite Supermarkets (Ronetco)	301	7	N/A
Andover Subacute and Rehab Center	300	8	N/A
Sussex County Community College	300	9	N/A
SCARC, Inc.	287	10	N/A
	7,363		

Employer	2005		
	Employees	Rank	Percentage of Total Employment
Selective Insurance	975	1	N/A
Andover Subacute and Rehab Center	900	2	N/A
County of Sussex	825	3	N/A
Newton Memorial Hospital	775	4	N/A
Ronetco Supermarkets	711	5	N/A
Vernon Township Board of Education	629	6	N/A
FO Phoenix Inc.	600	7	N/A
Mountain Creek Resort	474	8	N/A
Hopatcong Board of Education	450	9	N/A
Walmart	380	10	N/A
	6,719		

N/A -Not Available

Source: Sussex County

BOROUGH OF STANHOPE SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM,
LAST EIGHT FISCAL YEARS
UNAUDITED

<u>Function/Program</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Instruction								
Regular	24.0	31.0	31.0	27.0	22.2	22.7	21.7	21.6
Special education	5.0	5.0	3.0	3.0	13.7	8.8	9.2	9.7
Other instruction	2.5	3.0	3.0	3.0	1.0	1.0	1.0	1.0
Support Services:								
Student & instruction related services	4.2	1.4	2.5	2.0	10.6	13.3	16.3	15.5
General administrative services					2.0	0.9	1.1	1.4
School administrative services	2.5	3.5	2.5	2.0	1.0	1.2	1.2	1.5
Administrative Technology						1.0	1.0	0.3
Plant operations and maintenance	2.0	2.5	2.5	2.5	3.6	3.0	3.0	3.0
Business and other support services	1.0	1.0	1.0	1.0	2.0	1.7	1.2	1.2
Food Service	3.5	4.0	3.5	3.5	1.2	1.2	1.2	1.2
Total	<u>44.7</u>	<u>51.4</u>	<u>49.0</u>	<u>44.0</u>	<u>57.3</u>	<u>54.8</u>	<u>56.9</u>	<u>56.4</u>

This schedule does not contain ten years of information as GASB #44 was implemented during the fiscal year ending June 30, 2006.

Source: School District of the Borough of Stanhope Personnel Records

BOROUGH OF STANHOPE SCHOOL DISTRICT
OPERATING STATISTICS,
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>Operating Expenditures^a</u>	<u>Cost Per Pupil^d</u>	<u>Percentage Change</u>	<u>Teaching Staff^b</u>	<u>Pupil/Teacher Ratio Elementary</u>	<u>Average Daily Enrollment (ADE)^c</u>	<u>Average Daily Attendance (ADA)^c</u>	<u>% Change in Average Daily Enrollment</u>	<u>Student Attendance Percentage</u>
2006	415	\$ 4,845,084	\$ 11,675	1.94%	37	1:11	415	398	4.53%	96.00%
2007	394	4,991,382	12,668	8.51%	38	1:11	394	376	-5.06%	95.43%
2008	392	5,686,947	14,508	14.52%	38	1:11	392	376	-0.51%	95.92%
2009	373	5,397,677	14,471	-0.25%	38	1:11	373	358	-4.85%	95.98%
2010	393	5,896,679	15,004	3.69%	38	1:11	393	375	5.36%	95.42%
2011	395	5,162,648	13,070	-12.89%	38	1:11	395	361	0.51%	91.39%
2012	385	5,327,627	13,838	5.88%	30	1:13	380	363	-3.80%	95.53%
2013	361	5,659,682	15,678	13.30%	29	1:13	359	343	-5.53%	95.54%
2014	358	5,697,012	15,913	1.50%	30	1:12	354	337	-1.39%	95.20%
2015	319	5,860,438	18,371	17.18%	29	1:12	315	300	-11.02%	95.24%

Note: Enrollment based on annual October district count.

- a Operating expenditures equal total expenditures less debt service and capital outlay.
- b Teaching staff includes only full-time equivalents of certificated staff.
- c Average daily enrollment and average daily attendance are obtained from the School Register Summary (SRS).
- d The Cost Per Pupil calculated above is the sum of the operating expenditures divided by enrollment.
This Cost Per Pupil may be different from other Cost Per Pupil calculations.

BOROUGH OF STANHOPE SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS
UNAUDITED

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>District Building</u>										
<u>Elementary</u>										
Valley Road Elementary										
Square Feet	62,378	62,378	62,378	62,378	62,378	62,378	62,378	62,378	62,378	62,378
Capacity (students)	N/A	N/A	536	536	536	536	536	536	536	536
Enrollment	431	431	407	578	364	378	375	361	358	319
Linden Avenue Elementary (1)										
Square Feet	7,768	7,768	7,768	7,768	7,768	7,768	7,768	7,768	7,768	7,768
Capacity (students)	N/A	N/A	N/A	N/A	138	138	138	138	138	138
Enrollment	N/A	N/A	89	22	17	17	10			

Number of Schools at June 30, 2015

Elementary = 1

(1) Linden Avenue School no longer in use for enrollment after 2012.

Note: Enrollment is based on the annual October district count.

N/A: Information not available

Source: District Facilities Office

BOROUGH OF STANHOPE SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST TEN FISCAL YEARS
UNAUDITED

UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES
11-000-261-xxx

<u>Fiscal Year Ended June 30,</u>	<u>Linden Avenue School (1)</u>	<u>Valley Road School</u>	<u>Total</u>
2006	\$ 10,596	\$ 60,043	\$ 70,639
2007	9,309	52,752	62,061
2008	-0-	47,841	47,841
2009	-0-	50,616	50,616
2010	-0-	51,659	51,659
2011	-0-	50,025	50,025
2012	3,243	89,802	93,045
2013	2,926	141,668	144,594
2014	1,651	120,338	121,989
2015	4,427	137,126	141,553

(1) Linden Avenue School no longer in use after 2007.

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District Records

BOROUGH OF STANHOPE SCHOOL DISTRICT
INSURANCE SCHEDULE
AS OF JUNE 30, 2015
UNAUDITED

	<u>Coverage</u>	<u>Deductible</u>
School Alliance Insurance Fund (SAIF):		
Physical Damage - Property		\$ 1,000
Physical Damage - Inland Marine & Auto		500
Worker' Compensation/Employers' Liability		
Coverage A	NJ Statutory Benefits	NIL
Coverage B	5,000,000	None
Supplemental Indemnity	NJ Statutory Benefits	
General & Automobile Liability	5,000,000 per occurrence 50,000,000 fund aggregate	NIL
Fire Damage	2,500,000	
Medical Expenses	10,000	
Excess General & Auto Liability	15,000,000	None
Boiler & Machinery	100,000,000 each loss	1,000
Crime Coverage	50,000 inside/outside	1,000
Blanket Dishonesty Bond	500,000	1,000
Environmental Impairment Liability	1,000,000 per incident 25,000,000 fund aggregate	5,000
Student Accident	500,000 Bollinger	None
School Leaders' Professional Liability	5,000,000 per person 15,000,000	5,000
Official Bonds -Selective Insurance		
Carissa Berkowicz, Board Secretary	75,000	None
SallyAnn McCarty, Treasurer	175,000	None

SINGLE AUDIT



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Report on Internal Control over Financial Reporting and
 on Compliance and Other Matters Based on an Audit of Financial Statements
 Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Borough of Stanhope School District
 County of Sussex, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey (the "Department"), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Board of Education of the Borough of Stanhope, in the County of Sussex (the "District") as of and for the fiscal year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 4, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Honorable President and Members
of the Board of Education
Borough of Stanhope School District
Page 2

Compliance and Other Matters

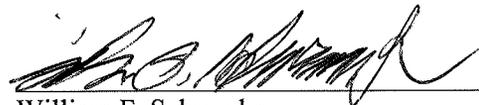
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

November 13, 2015
Mount Arlington, New Jersey

NISIVOCCIA LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant



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Report on Compliance For Each Major State Program;
 Report On Internal Control Over Compliance Required by OMB Circular A-133
 and New Jersey's OMB Circulars 04-04 and 15-08

Independent Auditors' Report

The Honorable President and Members
 of the Board of Education
 Borough of Stanhope School District
 County of Sussex, New Jersey

Report on Compliance for Each Major State Program

We have audited the Board of Education of the Borough of Stanhope's (the "District's") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *New Jersey State Aid/ Grant Compliance Supplement* that could have a direct and material effect on each of the District's major state programs for the fiscal year ended June 30, 2015. The District's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants, and State Aid*. Those standards, OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the fiscal year ended June 30, 2015.

The Honorable President and Members
of the Board of Education
Borough of Stanhope School District
Page 2

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and NJOMB 04-04 and 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 or NJOMB 04-04 and 15-08. Accordingly, this report is not suitable for any other purpose.

November 13, 2015
Mount Arlington, New Jersey

NISIVOCCIA LLP



William F. Schroeder
Licensed Public School Accountant #2112
Certified Public Accountant

BOROUGH OF STANHOPE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Federal CFDA Number	Grant or State Project Number	Grant Period	Award Amount	Balance at June 30, 2014			Balance at June 30, 2015		
					Budgetary Accounts Receivable	Budgetary Unearned Revenue	Cash Received	Budgetary Expendi- tures	Budgetary Accounts Receivable	Budgetary Unearned Revenue
<u>U.S. Department of Agriculture:</u>										
Passed-through State Department of Agriculture:										
Child Nutrition Cluster:										
Food Distribution Program	10.555	N/A	7/1/14-6/30/15	\$ 7,210			\$ 7,210	\$ (5,746)		\$ 1,464
Food Distribution Program	10.555	N/A	7/1/13-6/30/14	6,746		\$ 1,430		(1,430)		
National School Lunch Program	10.555	N/A	7/1/14-6/30/15	22,313			20,840	(22,313)	\$ (1,473)	
National School Lunch Program	10.555	N/A	7/1/13-6/30/14	25,433	\$ (1,761)		1,761			
Total Child Nutrition Cluster					(1,761)	1,430	29,811	(29,489)	(1,473)	1,464
Total U.S. Department of Agriculture					(1,761)	1,430	29,811	(29,489)	(1,473)	1,464
<u>U.S. Department of Education:</u>										
Passed-through State Department of Education:										
Special Revenue:										
No Child Left Behind:										
Title I	84.010A	NCLB546515	7/1/14-6/30/15	25,435			24,009	(24,009)		
Title I	84.010A	NCLB546514	7/1/13-6/30/14	25,815	(1,064)		1,064			
Subtotal - Title I					(1,064)		25,073	(24,009)		
Title IIA	84.367	NCLB546513	7/1/14-6/30/15	11,197			7,422	(8,817)	(1,395)	
Title IIA	84.367	NCLB546514	7/1/13-6/30/14	6,360	(1)		1			
Subtotal - Title IIA					(1)		7,423	(8,817)	(1,395)	
<u>U.S. Department of Education:</u>										
Passed-through State Department of Education:										
Special Education Cluster:										
I.D.E.A. Part B, Basic	84.027A	IDEA546515	7/1/14-6/30/15	101,274			95,393	(100,893)	(5,500)	
I.D.E.A. Part B, Basic	84.027A	IDEA546514	7/1/13-6/30/14	87,827	(1,369)		1,369			
I.D.E.A. Part B, Preschool	84.173A	IDEA546515	7/1/14-6/30/15	5,965			5,142	(5,142)		
I.D.E.A. Part B, Preschool	84.173A	IDEA546514	7/1/13-6/30/14	4,733	(1,894)		1,894			
Total Special Education Cluster					(3,263)		103,798	(106,035)	(5,500)	
State Fiscal Stabilization Fund (SFSF):										
Race-to-the-Top	84.395	N/A	9/1/11-11/30/15	2,257	(2,257)		2,257			
Subtotal - Special Revenue Fund					(6,585)		138,551	(138,861)	(6,895)	
Total U.S. Department of Education					(6,585)		138,551	(138,861)	(6,895)	
Total Federal Awards					\$ (8,346)	\$ 1,430	\$ 168,362	\$ (168,350)	\$ (8,368)	\$ 1,464

N/A - Not Applicable/Available

BOROUGH OF STANHOPE SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

State Grantor/Program Title	Grant or State Project Number	Grant Period	Award Amount	Balance at	Cash	Budgetary	Balance at June 30, 2015		MEMO
				June 30, 2014			GAAP	Budgetary	Cumulative
				Budgetary	Received	Expenditures	Accounts	Accounts	Total
				Accounts			Receivable	Receivable	Expenditures
				Receivable					
<u>State Department of Education:</u>									
General Fund State Aid:									
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	\$ 1,167,777		\$ 1,053,652	\$ (1,167,777)		\$ (114,125)	\$ 1,167,777
Transportation Aid	15-495-034-5120-014	7/1/14-6/30/15	34,204		30,861	(34,204)		(3,343)	34,204
Special Education Categorical Aid	15-495-034-5120-089	7/1/14-6/30/15	202,273		182,505	(202,273)		(19,768)	202,273
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	34,064		30,735	(34,064)		(3,329)	34,064
Adjustment Aid	15-495-034-5120-085	7/1/14-6/30/15	66,645		60,132	(66,645)		(6,513)	66,645
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	3,500		3,158	(3,500)		(342)	3,500
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	3,500		3,158	(3,500)		(342)	3,500
Extraordinary Special Education Costs Aid	15-100-034-5120-473	7/1/14-6/30/15	26,812			(26,812)	\$ (26,812)	(26,812)	26,812
Reimbursement of Nonpublic School									
Transportation Costs	15-495-034-5120-014	7/1/14-6/30/15	1,137			(1,137)	(1,137)	(1,137)	1,137
Reimbursed TPAF Social Security	15-495-034-5095-002	7/1/14-6/30/15	165,837		149,114	(165,837)	(16,723)	(16,723)	165,837
Equalization Aid	14-495-034-5120-078	7/1/13-6/30/14	1,167,777	\$ (114,113)	114,113				1,167,777
Transportation Aid	14-495-034-5120-014	7/1/13-6/30/14	34,204	(3,342)	3,342				34,204
Special Education Categorical Aid	14-495-034-5120-089	7/1/13-6/30/14	202,273	(19,766)	19,766				202,273
Security Aid	14-495-034-5120-084	7/1/13-6/30/14	34,064	(3,329)	3,329				34,064
Adjustment Aid	14-495-034-5120-085	7/1/13-6/30/14	66,645	(6,512)	6,512				66,645
Extraordinary Special Education Costs Aid	14-100-034-5120-473	7/1/13-6/30/14	42,247	(42,247)	42,247				42,247
Reimbursement of Nonpublic School									
Transportation Costs	14-495-034-5120-014	7/1/13-6/30/14	1,699	(1,699)	1,699				1,699
Reimbursed TPAF Social Security	14-495-034-5095-002	7/1/13-6/30/14	161,440	(21,508)	21,508				161,440
Subtotal - General Fund				(212,516)	1,725,831	(1,705,749)	(44,672)	(192,434)	3,560,501
Food Service Fund:									
State School Lunch Program	15-100-010-3350-023	7/1/14-6/30/15	1,031		969	(1,031)	(62)	(62)	1,031
State School Lunch Program	14-100-010-3350-023	7/1/13-6/30/14	1,125	(78)	78				1,125
Subtotal - Food Service Fund				(78)	1,047	(1,031)	(62)	(62)	2,156
Total NJ Department of Education				(212,594)	1,726,878	(1,706,780)	(44,734)	(192,496)	3,562,657
<u>NJ School Development Authority:</u>									
Educational Facilities Construction and Financing Act:									
Partial Roof Replacement Project	5030-050-14-1001-G04	7/1/14-6/30/16	367,560			(147,024)	(147,024)	(367,560)	(147,024)
Total Educational Facilities Construction and Financing Act						(147,024)	(147,024)	(367,560)	(147,024)
Total State Awards				\$ (212,594)	\$ 1,726,878	\$ (1,853,804)	\$ (191,758)	\$ (560,056)	\$ 3,415,633

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOTE 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards includes the federal and state grant activity of the Board of Education, Borough of Stanhope School District under programs of the federal and state governments for the fiscal year ended June 30, 2015. The information in these schedules are presented in accordance with the Federal Office of Management and Budget (OMB), *Audits of States, Local Governments and Non-Profit Organizations* and New Jersey's OMB Circulars 04-04 and 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the District, they are not intended to and do not present the financial position, changes in net position or cash flows of the District.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the budgetary basis of accounting with the exception of programs recorded in the Food Service Fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the Board's basic financial statements. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Such expenditures are recognized following the cost principles contained in federal OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governmental Units*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through identifying numbers are presented where available.

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the last two state aid payments in the current budget year, which is mandated pursuant to N.J.S.A. 18A:22-44.2. For GAAP purposes that payments is not recognized until the subsequent budget year due to the state deferral and recording of the last two state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenue, whereas the GAAP basis does not. The capital projects fund is presented in the accompanying schedules on the budgetary basis with the exception of the revenue recognition of the Educational Facilities Construction and Financing Act grants which are realized as revenue upon their award, whereas the GAAP basis recognizes the revenue to the extent of actual expenditures and when funds are submitted for reimbursement.

The net adjustment to reconcile from the budgetary basis to the GAAP basis is (\$700) for the general fund and \$(220,536) for the Capital Projects Fund. See Note 1D for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general fund and the capital projects fund. Additionally, the schedule of expenditures of state awards does not include the on-behalf Post Retirement Contributions revenue of \$161,567 or the \$101,775 of TPAF On-Behalf Pension Contributions. Revenue from federal and state awards are reported in the Board's basic financial statements on a GAAP basis as presented on the following page:

BOROUGH OF STANHOPE SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS (Cont'd)

	<u>Federal</u>	<u>State</u>	<u>Total</u>
General Fund		\$ 1,968,391	\$ 1,968,391
Special Revenue Fund	\$ 138,861		138,861
Capital Projects Fund		147,024	147,024
Food Service Fund	29,489	1,031	30,520
Total Awards	<u>\$ 168,350</u>	<u>\$ 2,116,446</u>	<u>\$ 2,284,796</u>

NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

NOTE 5. OTHER

Revenue and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. TPAF Social Security contributions represent the amount reimbursed by the State for the employers' share of social security contributions for TPAF members for the fiscal year ended June 30, 2015.

NOTE 6. NEW JERSEY SCHOOLS DEVELOPMENT AUTHORITY (SDA) GRANT

The District received a grant in the amount of \$367,560 in connection with capital projects for a partial roof replacements project. During the fiscal year ended June 30, 2015 the District submitted reimbursement requests on these projects and realized revenue on the GAAP basis in the amount of \$147,024. As of June 30, 2015, the District has a \$147,024 receivable on the budgetary and a \$367,560 receivable on the GAAP basis. In the Capital Projects Fund, the District realizes the full amount of the grant revenue on the budgetary basis in the year the grant is awarded and realizes the grant revenue on a GAAP basis as it is expended and submitting for reimbursement.

BOROUGH OF STANHOPE SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Summary of Auditors' Results:

- The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the District.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
- No instances of noncompliance material to the financial statements of the District which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- There were no material weaknesses or significant deficiencies in internal control over major state programs disclosed during the audit as reported in the *Independent Auditors' Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance Required by OMB Circular A-133 and New Jersey's OMB Circulars 04-04 and 15-08*.
- The auditor's report on compliance for the major state programs for the District expresses an unmodified opinion on all major state programs.
- The audit did not disclose any audit findings which are required to be reported in accordance with New Jersey's OMB Circulars 04-04 and 15-08 or Section 510(a) of Federal OMB Circular A-133.
- The District was not subject to the single audit provisions of Federal OMB Circular A-133 for fiscal year end June 30, 2015 as federal grant expenditures were less than the single audit threshold of \$500,000 identified in the Circular.
- The District's programs tested as major state programs for the current fiscal year consisted of the following:

<u>State:</u>	<u>Grant Number</u>	<u>Grant Period</u>	<u>Award Amount</u>	<u>Budgetary Expenditures</u>
Equalization Aid	15-495-034-5120-078	7/1/14-6/30/15	\$1,167,777	\$1,167,777
Special Education Categorical Aid	15-495-034-5120-089	7/1/14-6/30/15	202,273	202,273
Security Aid	15-495-034-5120-084	7/1/14-6/30/15	34,064	34,064
Adjustment Aid	15-495-034-5120-085	7/1/14-6/30/15	66,645	66,645
PARCC Readiness Aid	15-495-034-5120-098	7/1/14-6/30/15	3,500	3,500
Per Pupil Growth Aid	15-495-034-5120-097	7/1/14-6/30/15	3,500	3,500

- The threshold used for distinguishing between state Type A and Type B programs was \$300,000.
- The District was determined to be a "low-risk" auditee for state programs.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards.

Findings and Questioned Costs for Federal Awards:

- Not Applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- The audit did not disclose any findings or questioned costs for state awards as defined in section 510(a) of the federal Circular and New Jersey's OMB Circulars 04-04 and 15-08.

BOROUGH OF STANHOPE SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Status of Prior Year Findings:

There were no prior year findings.